

FOR OFFICIAL USE ONLY

JPRS L/9930

24 August 1981

# USSR Report

INTERNATIONAL ECONOMIC RELATIONS

(FOUO 2/81)

Book Excerpts: 'FOR THE MATERIALIZATION OF DETENTE'



FOREIGN BROADCAST INFORMATION SERVICE

FOR OFFICIAL USE ONLY

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

COPYRIGHT LAWS AND REGULATIONS GOVERNING OWNERSHIP OF  
MATERIALS REPRODUCED HEREIN REQUIRE THAT DISSEMINATION  
OF THIS PUBLICATION BE RESTRICTED FOR OFFICIAL USE ONLY.

JPRS L/9930

24 August 1981

USSR REPORT  
INTERNATIONAL ECONOMIC RELATIONS  
(FOUO 2/81)

BOOK EXCERPTS: 'FOR THE MATERIALIZATION OF DETENTE'

Moscow ZA MATERIALIZATSIYU RAZRYADKI in Russian 1980 (signed to press 22 Aug 80) pp 3-4, 5-22, 137-188, 189-222, 296-301)

[Foreword by N.S. Patolichev, USSR Minister of Foreign Trade; chapter 4 by V.N. Sushkov, USSR Deputy Minister of Foreign Trade; chapter 5 by V.G. Morozov, First Deputy Chairman of the USSR National Committee on Foreign Economic Relations; conclusion; and table of contents from book "For the Materialization of Detente", edited by V.A. Brykin, "Mezhdunarodnyye otnosheniya", 17,000 copies, 301 pages]

CONTENTS

Annotation.....	1
Table of Contents.....	1
Foreword.....	2
Chapter 4. The USSR's Long Term Industrial Cooperation With the Developed Capitalist Countries: Status, Prospects, Problems.....	17
Chapter 5: The USSR's Economic and Technological Cooperation With Foreign Countries in the Contemporary Stage. Status of and Prospects for Cooperation With Capitalist Countries.....	59
Conclusion.....	88

- a -

[III - USSR - 38a]

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

Annotation

[Text] This book synthesizes the experience gained from the Soviet Union's equitable, mutually advantageous economic cooperation with the industrially developed capitalist countries; it contains a comprehensive analysis of current problems related to the campaign for the materialization of detente.

Table of Contents

Foreword: The CPSU's Foreign Economic Strategy for the Contemporary Stage--N. S. Patolichev, USSR Minister of Foreign Trade . . . . .	5
Chapter 1. The USSR's Policy of Detente and Economic Cooperation with Capitalist Countries--V. A. Brykin Deputy Rector, National Foreign Trade Academy . . . . .	23
Chapter 2. The Soviet Union's Growing Economic, Scientific and Technological Potential: A Firm Foundation for Cooperation--D. M. Gvishiani, Academician and Deputy Chairman, USSR National Committee on Science and Technology . . . . .	51
Chapter 3. The USSR's Commerical and Economic Relations with the Industrially Developed Capitalist Countries--Yu. V. Piskulov, Doctor of Economics and Deputy Chief, USSR Ministry of Foreign Trade's Administration for Trade with Western Countries . . . . .	81

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

Chapter 4. The USSR's Long-Term Industrial Cooperation with the Developed Capitalist Countries: Status, Prospects, Problems--V. N. Sushkov, USSR Deputy Minister of Foreign Trade . . . . .	137
Chapter 5. The USSR's Economic and Technological Cooperation with Foreign Countries in the Contemporary Stage. Status of and Prospects for Cooperation with Capitalist Countries--V. G. Morozov, First Deputy Chairman, USSR National Committee on Foreign Economic Relations . . . . .	189
Chapter 6. European Congresses or Interstate Meetings on Environmental Protection and Development of Transportation and Power are of Mutual Interest--D. M. Gvishiani, Academician and Deputy Chairman, USSR National Committee on Science and Technology . . . . .	223
Chapter 7. COMECON-EEC: Problems in Developing Cooperation--V. G. Moiseyenko, Candidate of Economics . . . . .	249
Chapter 8. Commercial Arbitration in Trade with Capitalist Countries--V. S. Pozdnyakov, Chairman, Foreign Trade Arbitration Commission, and Professor, National Foreign Trade Academy . . . . .	283
Conclusion . . . . .	296

Foreword: The CPSU's Foreign Economic Strategy for the Contemporary Stage

The general, theoretical principles for our party's strategy in the area of the socialist nation's foreign economic activities were developed by V. I. Lenin. A brilliant theoretician and strategist, V. I. Lenin understood that the Communist Party would be able to successfully consolidate the socialist revolution's victory and begin to build a communist society with a scientifically based, historically long-term strategic policy in foreign economic relations with other countries.

V. I. Lenin developed this policy during the severe destruction inherited by the republic from World War I, the Civil War and the foreign intervention.

The difficulty of setting this policy lay not only in the fact that there was a persistent, protracted campaign ahead in establishing economic relations with other countries but also in the fact that the economic relations of the world's first socialist nation should be fundamentally new in nature.

FOR OFFICIAL USE ONLY

For a long time after it emerged as an independent economic sector, foreign trade served the interests of the ruling exploiting classes and during the formation and functioning of the world economy it was used by militarily and economically strong nations to subordinate weak ones and to exploit, enslave and oppress colonial and dependent peoples.

The Soviet socialist state faced the goal of organizing its economic relations with other countries on fundamentally new principles which would be responsive to the interests of building communism in the USSR and which would introduce new, progressive trends in world economic relations as a whole. For the first time in man's history, foreign trade would be executed on behalf of all the people and for the good of the toiling masses and not on behalf of individual classes.

The USSR's foreign trade has honorably accomplished this goal and continues to accomplish it primarily because it is based upon unshakeable principles developed by V. I. Lenin.

Our economic relations with foreign countries are based on principles of true equality, respect for sovereignty, non-interference in domestic affairs, mutual advantage and strict observance of contractual commitments. The pursuit of these principles is necessitated by the very nature of a socialist nation; they are being steadfastly and persistently implemented by the Communist Party and the Soviet government in our relations with all nations, without exception.

V. I. Lenin foresaw that as other socialist nations emerged, the Soviet Union's relations with them would be based on proletarian internationalism, which inherently includes the above-cited principles along with mutual, fraternal assistance, cooperation and joint responsibility for achieving the common goal--building a communist society.

With the formation of a world socialist system, economic cooperation with the fraternal countries--cooperation which is an integral part of inter-state relations in their totality--has been permeated by socialist internationalism and a profound interest in each other's success; this cooperation harmonizes each country's national interest with the common interest of the entire socialist community.

A position of proletarian internationalism marked V. I. Lenin's approach toward the establishment and development of economic relations with Asian, African and Latin American countries. He pointed out that the Soviet nation's policy toward these countries was based "on a total break with the barbarian policies of bourgeois civilization, policies which based the well-being of exploiters in a few selected nations on the enslavement of hundreds of millions of working people in Asia, the colonies in general and in small countries."<sup>1</sup>

---

1. Lenin, V. I. "Poln. sobr. soch." (Complete Collected Works), vol 35, p 222.

FOR OFFICIAL USE ONLY

V. I. Lenin attached a great deal of importance to the establishment and development of economic relations with capitalist countries. The basis of an economic policy toward these countries, as was brilliantly foreseen by V. I. Lenin, had to be an objective, commercial requirement for economic ties between nations which belonged to different socio-economic systems.

Today, there is a special force to the ring of V. I. Lenin's words--the founder of our party and nation--words which were spoken in 1921 at the Ninth All-Russian Congress of Soviets: "There is a force greater than the desire, willpower or resolve of any hostile government or class; this force is total, world-wide economic relations which will force them to engage in dealings with us."<sup>2</sup> Experience has completely corroborated the correctness of this conclusion and, today, each and every attempt to subvert equal, mutually advantageous economic cooperation between capitalist and socialist countries appears flimsy.

During the years of the Soviet regime, our nation has been through an entire historical era. A developed socialist society has been built in the USSR. At present, within the entire economic mechanism's operations and progressive development, there has been an immeasurable increase in the importance and role of foreign trade and other types of foreign economic activities. From purchases of basic necessities, the conclusion of the simplest buy-sell contracts, a small number of contractors and a turnover of goods counted in millions of rubles to inter-state treaties and agreements on trade, economic, scientific and technological cooperation with many of the world's nations, to a commodity turnover of tens of billions of rubles, the emergence of new functions to implement foreign trade, the appearance of new types of foreign economic activities, a broader and more systematic involvement of the Soviet Union in the international division of labor and the participation of hundreds of thousands of the national economy's employees in executing foreign economic ties--this is the path covered by the Soviet Union in its foreign economic activities during the years of its existence.

We are completely justified in saying that the CPSU's foreign economic strategy, whose basic directions were brilliantly outlined by V. I. Lenin, is being implemented and has an increasing effect on the pace of building communism in our country and on carrying out the new USSR Constitution's goals of a socialist nation of all the people to strengthen peace and develop international cooperation.

The CPSU's foreign economic strategy for the modern stage was developed by the party, the CPSU Central Committee, the Politburo and Comrade L. I. Brezhnev, general secretary of the CPSU Central Committee and chairman of the USSR Supreme Soviet Presidium, based on a creative

---

2. Lenin, V. I. "Poln. sobr. soch.," vol 44, pp 304-305.

FOR OFFICIAL USE ONLY

extension of Lenin's teachings to the new conditions. "The power of Marxism-Leninism," L. I. Brezhnev pointed out in the CPSU Central Committee's Keynote Report to the 25th Party Congress, "is under continual, creative evolution. This was Marx's teaching. This was Lenin's teaching. Our party will always be true to their legacy!"<sup>3</sup>

What are the basic features of the party's foreign economic strategy for the modern stage, the features which have been formulated in the 24th and 25th CPSU Congress decisions, in CPSU Central Committee General Secretary and USSR Supreme Soviet Presidium Chairman L. I. Brezhnev's works and in CPSU Central Committee Plenum decrees?

First of all, it should be pointed out that, in managing the Soviet nation's foreign economic activities, the party proceeds from the need for persistent implementation of the principle of state monopoly of the Soviet Union's foreign trade and other types of foreign economic activities. As is well known, this principle was legislatively incorporated in the new USSR Constitution which was adopted at the 7 October 1977 Extraordinary Seventh Session of the USSR Supreme Soviet.

The Soviet state's practical activities in the field of foreign economic relations not only corroborate the correctness and vitality of this principle but also continually expand its scope and make full use of the resources which it uncovers as new goals and needs of a socialist society emerge. This especially applies to cooperation among CMEA member countries. The state monopoly of foreign trade and other types of foreign economic activities is an indispensable condition of successful cooperation within the CMEA framework. The retention and improvement of the mechanism of state monopoly for foreign trade and other types of foreign economic activities make it possible to coordinate the national economic development plans of CMEA member countries, to successfully advance along the path of socialist economic integration and promotes a merger of the economic systems of the socialist community's nations.

By building our commercial and economic relations with the capitalist countries on the foundation of this principle, we are protecting our economic systems from the economic shocks in the world capitalist system. With the current size of economic relations with capitalist countries, we would hardly be able to avoid the negative impact of inflation and the other phenomena of capitalism's overall crisis if the Soviet nation did not have an effective tool at its disposal like state monopoly. This is why the interest in the Soviet Union's experience in foreign trade shown by many developing countries in

---

3. "Proceedings of the 25th CPSU Congress," Moscow, 1976, p 72.



FOR OFFICIAL USE ONLY

their search for ways and methods to avoid or reduce the ruinous effect of the capitalist crisis on their economic systems is understandable.

In the contemporary environment, the principle of state monopoly is taking on new meaning in the USSR's relations with the industrially developed countries of the West. There are unwarranted statements which are heard at times to the effect that this principle supposedly slows down the development of economic relations with western countries and to the effect that if the Soviet Union would use their methods and means in its relations with them, then commercial and economic relations between us and our western partners would develop faster and more successfully. Many years of practice refute these statements. As is widely recognized in the West, the Soviet Union is a reliable, stable partner and, with the instability which is characteristic of the contemporary capitalist system, relations with the Soviet Union play the role of a stabilizing factor in international economic relations. This is the prestige gained by the Soviet Union precisely because of state monopoly. Furthermore, without state monopoly, it would have been totally impossible to change over to the long-term commercial and economic cooperation which is becoming broader in scope in our relations with western countries and which is gaining its merited recognition within political and economic circles as a positive event with far-reaching, favorable consequences for international economic cooperation and for strengthening peace and security.

A major feature of the party's foreign economic strategy for the contemporary stage is that the development of foreign economic ties is becoming more and more important among the key economic problems of building communism in our country. This proposition was formulated in the CPSU Central Committee's Keynote Report to the 25th Party Congress and it is of major theoretical and practical importance. As emphasized in the report, this is a direct result of the swift growth of our national economy and of the major changes taking place in the world, the successes of the policy of peace and detente.

The increasing role of foreign economic ties within the USSR's overall national economic system is convincingly shown by the size of foreign trade turnover in the 10th Five-Year Plan. In 1979, the Soviet Union's foreign trade turnover was 80.3 billion rubles. Successful fulfillment of the 10th Five-year Plan's targets for foreign economic ties gives reason to assume that the subsequent, 11th Five-Year Plan's foreign trade turnover will continue to grow at a swift pace.

Moreover, it is not just the absolute size of foreign trade turnover that is important in itself. At present, it is hard to find a sector of the country's economy which has not been linked to foreign trade and other types of foreign economic activities. It has become normal for our country's foreign trade to develop at advanced rates

## FOR OFFICIAL USE ONLY

compared to the growth of total social output. This shows the USSR's continual, intensified participation in the international division of labor and the ever-increasing role of foreign economic ties in national economic development.

Another major feature of the party's foreign economic strategy for the contemporary stage is the increased international political significance of the USSR's foreign economic ties. L. I. Brezhnev's report at the 25th CPSU Congress pointed out: "We see foreign economic ties as an effective means of facilitating the accomplishment of both political and economic goals. The path of economic integration strengthens the power and unity of the socialist community's countries. Cooperation with developing countries facilitates a reorganization of their economic systems and public affairs on a progressive basis. Finally, economic, scientific and technological ties with capitalist nations firmly establish and expand the economic base for the policy of peaceful coexistence."<sup>4</sup>

The party's foreign economic strategy is characterized by a desire to integrate the advantages of socialism with the gains of the scientific and technological revolution both in the area of foreign economic ties--which is specifically reflected in the change in the pattern of exports and imports--and in the appearance of new types of economic, scientific and technological cooperation.

The Soviet Union's foreign economic activities are acquiring broader and broader aspects. They are directed at a further, active inclusion of the country in the international division of labor and at solving such current problems as developing long-term industrial cooperation between East and West; the socialist countries' participation in a solution to world power and raw materials problems; implementation of major European projects in the area of economic and technological cooperation; a unification of all interested countries' economic, scientific and technological resources to solve the urgent problems of contemporary civilization--controlling the most dangerous and widespread diseases, environmental protection, utilization of ocean resources and many others.

As shown by the experience of recent years, there is an objective incentive for socialist and capitalist countries to develop stable, long-term mutual cooperation. This incentive will increase as the international division of labor intensifies and as scientific and technological progress accelerate. The elimination of discriminatory restrictions on trade with socialist countries--restrictions which still occur in capitalist countries--improvement of the pattern and competitiveness of the Soviet Union's exports, the establishment of contacts between the Council of Mutual Economic Assistance and the European Economic Community, and expansion of the practice of cooperation

---

4. "Proceedings of the 25th CPSU Congress," p 56.

## FOR OFFICIAL USE ONLY

## FOR OFFICIAL USE ONLY

on a European basis--a solution to these problems and a number of others which are of great importance and mutual interest will greatly facilitate an intensification of economic ties between nations with different socio-economic systems.

The CPSU's decision to develop and improve foreign economic ties enjoys the unanimous support of all Soviet people. The party's policy of developing mutually advantageous cooperation with all the world's countries was approvingly received by progressive forces abroad and by all serious public figures; it is totally responsive to the interests of strengthening peace and international security and to the workers' interests. The western European countries economic ties with the socialist countries guarantee work for hundreds of thousands or even millions of people in the environment of economic crisis and unemployment in Western Europe. It is hard to overrate the Soviet Union's impact on international economic relations when you consider that our country now produces over 20 percent of world industrial output.

The Soviet Union's persistent policy of securing peace and cooperation among nations--a policy which was developed further at the 25th CPSU Congress--has been reconfirmed by the position adopted by the CPSU at the June 1976 Conference of European Communist and Workers Parties held in Berlin. In presenting the CPSU's position on the problems of peace, security, cooperation and social progress in Europe, L. I. Brezhnev dwelt on the close relationship between the campaign for peace and economic cooperation. "It is also exceptionally important to establish," he emphasized, "a so-to-speak economic fabric for peaceful cooperation in Europe, a fabric which would strengthen ties between European peoples and nations and make them more interested in keeping peace for many years in the future. I have in mind all kinds of mutually advantageous cooperation--trade, industrial cooperation, scientific and technological contacts."<sup>5</sup>

The primary position in our commercial and economic relations is occupied by CMEA members. The Soviet Union's trade with these nations is steadily developing and becoming stronger. Since the establishment of CMEA in 1949, the USSR's foreign trade turnover with this group of countries has increased by more than 20 times and reached 41.6 billion rubles in 1979. At present, our trade with a number of socialist countries has reached the scale which occurs between major industrially developed capitalist countries.

But, it is necessary to emphasize an important distinction of foreign trade between CMEA member countries compared to foreign trade between industrially developed capitalist countries, a distinction which results from the pattern of foreign trade. This distinction is especially visible in a comparison of the patterns of barter between western European countries and between CMEA member countries. While the pattern

---

5. Brezhnev, L. I. "Leninskim kursom, Rech i statii" (Following Lenin's Course: Speeches and Articles), vol 6, Moscow, 1978, p 55.

FOR OFFICIAL USE ONLY

of foreign trade between Western European countries consists of an exchange of the same mix of products, foreign trade between CMEA member countries meets the goal of an exchange of goods whereby one country's economic system supplements another's system.

The uniformity of the pattern of commodity turnover in the uncontrolled capitalist economy exacerbates competition and results in so-called "trade wars" which destabilize economic relations and reduce their effectiveness. To a significant extent, the effectiveness of mutual trade achieved by the industrially developed capitalist countries results from their exploitation of developing countries.

The mutually complementary nature of the CMEA member countries economic systems improves the environment for their integration and, through foreign trade, leads to higher efficiency in the international division of labor which develops on socialist planning principles.

The 1971 Comprehensive Program for Further Intensification and Improvement of CMEA Cooperation and for the Development of CMEA Socialist Economic Integration raised the fraternal countries cooperation to a new, higher level. The measures executed to implement it have already led to a significantly greater growth in Soviet foreign trade with CMEA member countries.

The expansion and intensification of the socialist countries commercial and economic cooperation are being achieved by an ever-increasing coordination of national economic plans. In 1975, a plan of multi-lateral integration for 1975-1980 was drawn up for the first time. This made it possible to combine the efforts and resources of the socialist community to construct major economic facilities which are very important to the development of all the CMEA member countries economic systems.

Further stages in the development of socialist economic integration are the target programs being developed; these programs are directed at solving the socialist countries fundamental national economic problems for the long term. As noted in USSR Delegation Head and Chairman of the USSR Council of Ministers A. N. Kosygin's address at the 33rd CMEA Session dedicated to the 30th anniversary of the CMEA, cooperation between this organization's member countries has laid the foundation for a new, socialist international division of labor. This cooperation is characterized by a relationship of equality and mutual assistance. "The deliberate implementation of this policy has increased the effect of socialism's objective advantages in each country. It has accelerated fundamental social changes and has facilitated industrialization and a socialist transformation of the village. It has made it possible for our countries to strengthen our common positions in the campaign for peace and social progress.

FOR OFFICIAL USE ONLY

The major achievement of this policy has been a stronger, systematic foundation not only in domestic economic development but also in international cooperation. This has also been a new page in the history of world economic development."<sup>6</sup>

An important position in the USSR's commercial and economic policy is set aside for relations with developing countries. In 1979, their share of the USSR's total foreign trade turnover was approximately 12 percent.

The Soviet Union supplies developing countries with many types of industrial machinery and equipment, raw materials and consumer goods which are of major importance in accomplishing the tasks they are faced with of developing a national economic system.

In building its economic relations on a mutually advantageous foundation, the Soviet Union buys various commodities in these countries, both their usual, traditional exports and the output of their young, national industries. These goods are of major importance for many sectors of our national economy and for enhancing the Soviet people's well-being.

The Soviet Union actively supports the demands of the developing countries on the need for reorganizing international economic relations on democratic, just bases and on eliminating all types of discrimination, inequality, exploitation and plunder resulting from the imperialist nations' neocolonialist policy.

The USSR provides broad economic and technical assistance to developing countries in building industrial, power, agricultural, scientific and cultural facilities and in training national specialists.

The Soviet Union does not intend to take root in the developing countries economic systems as the industrially developed capitalist countries do. Our party's fundamental Leninist position in economic cooperation with developing countries is to help them strengthen their political independence and win their economic independence. This major tenet is the point of departure for resolving all the concrete issues of developing and intensifying commercial, economic, technical and other types of cooperation with developing countries.

The 25th CPSU Congress set two primary goals for developing economic relations with industrially developed capitalist countries.

---

6. "CMEA Economic Cooperation," INFORMATION BYULLETEN', Moscow, No 4, 1979, p 43.

FOR OFFICIAL USE ONLY

The first is to improve the effectiveness, pattern and balance of foreign trade, specifically by increasing the percentage of the most profitable types of raw materials in exports, ensuring more intense processing of raw materials being sold and increasing the manufacturing industry's share of exports. Our import policy must be targeted toward accomplishing the major tasks facing the economy and toward increasing the economy's efficiency to an even greater extent.

The other goal is to develop new types of foreign economic relations which go beyond normal trade and which, as a rule, have a greater impact. Specifically, we mean offset agreements, extending their area of operation to the manufacturing industry and looking for new approaches to industrial cooperation with capitalist countries.

In describing the CPSU's foreign economic strategy for the modern stage, it should be especially emphasized that it completely meets the spirit and the letter of the Final Act of the Conference on European Security and Cooperation which gave new impetus to the development of trade and various types of economic cooperation on the European continent. Signed on 1 August 1975 in Helsinki, the conference's Final Act expanded opportunities to resolve important issues of economic cooperation directly at summit meetings and talks between the USSR and capitalist nations. After the Final Act was signed by the heads of 33 European nations, the U.S.A. and Canada, there were a number of meetings which ended with the adoption of joint documents opening the way to a significant expansion and intensification of economic cooperation between the members of the European conference.

Western European countries occupy an important position in the USSR's commercial and economic relations with industrially developed capitalist nations; three-fourths of the Soviet Union's trade with these nations goes to them.

At present, the Soviet Union's commercial and economic relations with Western European countries are typified by qualitatively new features, such as permanence, large in scale and the development of industrial cooperation, including a number of offset projects. These relations are based on long-term intergovernmental agreements and programs for commercial, economic, industrial, scientific and technical cooperation. After the European conference, the USSR signed agreements and programs on economic cooperation with many Western European countries.

In his 2 March 1979 address to the voters of Moscow's Bauman Electoral District, L. I. Brezhnev noted that the Soviet Union had concluded long-term economic agreements with a number of Western European countries and then emphasized: "Such agreements are unique capital

FOR OFFICIAL USE ONLY

investments by the East and West for an extremely necessary and mutually advantageous cause--maintaining and strengthening international peace."<sup>7</sup>

Experience shows that long-term agreements and programs establish a firm foundation for expanding economic cooperation and they promote an improvement in the pattern of trade and an increase in stable relations. At present, the USSR has long-term agreements and programs of cooperation with practically all Western European countries.

In May 1977, L. I. Brezhnev, general secretary of the CPSU Central Committee and chairman of the USSR Supreme Soviet Presidium, and U. K. Kekkonen, Finland's president--who was on an official visit to the USSR--signed a Long-Term Program for Developing and Intensifying Commercial, Economic, Industrial, Scientific and Technical Cooperation between the USSR and Finland until 1990. In its scope, this program was a qualitatively new level in the development of economic relations between countries with different social systems. It encompasses practically all areas of economic cooperation between two nations and outlines specific areas of cooperation.

Of great importance were L. I. Brezhnev's visits to France in June 1977 and to the FRG in May 1978; during these visits, serious attention was also devoted to issues of commercial and economic cooperation.

During the visit to France, a number of commercial and economic documents were signed and an agreement was reached on the development of a new long-term program for intensifying Soviet-French economic and industrial cooperation up to 1990. Both countries did a lot of work preparing this program and it was signed during French President Giscard d'Estaing's visit to the USSR in April 1979.

As pointed out by L. I. Brezhnev, developed and mutually advantageous trade, economic cooperation and, on a broader scale, an exchange of industrial experience and the fruits of scientific and technological thought promote material progress in both countries and provide tangible benefits to both the Soviet Union and France: "We are in favor of a further increase in the level and quality of our economic exchange. Evidently, it is necessary to undertake promising types of cooperation more boldly, types such as industrial cooperation and specialization, putting as much as possible of all this on a long-term basis by concluding the appropriate agreements."<sup>8</sup> Giscard d'Estaing also gave a positive evaluation of the status of and prospects for Franco-Soviet relations in all areas, including economic

---

7. Brezhnev, L. I. "Leninskim kursom. Rech'i, privatstviya, stat'i, vospominaniya," vol 7, Moscow, 1979, p 625.

8. PRAVDA, 26 March 1979.

FOR OFFICIAL USE ONLY

cooperation. "Furthermore," he pointed out, "the orderly growth of the Soviet economy, the steady modernization of it and the USSR's enormous natural wealth should ensure permanent technological and industrial ties between the USSR and the West in the future."<sup>9</sup>

The development of the USSR's long-term commercial and economic cooperation with Western European countries objectively leads to an increase in mutual trade.

During the 10th Five-Year Plan, the turnover with the industrially developed capitalist countries increased by approximately one-third. During the 4 years of the 10th Five-Year Plan, the Soviet Union's turnover volume with the industrially developed capitalist countries was 25.76 billion rubles.

The USSR's major trading partners among the Western European countries are the FRG, France, Finland and Italy.

The Soviet Union supplies Western Europe with petroleum and petroleum derivatives, natural gas (Austria, Italy, the FRG, France, Finland), timber and paper products, various machinery and equipment, cotton, solid fuel, metal ores, non-metallic minerals and many other commodities. It should be mentioned that Western Europe is a major market for many Soviet commodities; it specifically receives approximately one-half of all Soviet exports of petroleum, petroleum derivatives and natural gas; 30 percent of chemical exports; and over 20 percent of motor vehicle, photographic equipment, cotton and solid fuel exports.

Among Soviet imports from Western European countries, the primary position is occupied by machinery and equipment, basically complete sets of equipment for various industrial sectors, which comprise over one-half of total imports from these countries. As a whole, Western Europe provides 30 percent of total Soviet machinery and equipment imports. Other major items of import are ferrous metal plates, pipes, various chemicals and consumer goods.

A major role in the development of trade, economic, industrial, scientific and technological cooperation and in preparing and implementing programs of cooperation in these areas is played by joint intergovernmental commissions which have now been established with a majority of the Western European countries. These commissions emerged relatively recently but they have already gained a certain amount of experience in the field of comprehensive development of commercial and economic cooperation among countries with differing socio-economic systems. The working groups and groups of experts operating within the commissions are doing a lot of work in specific areas of economic and industrial cooperation between Soviet organizations and Western European companies.

---

9. Ibid.

FOR OFFICIAL USE ONLY



FOR OFFICIAL USE ONLY

In recent years, our relations with Western European countries have seen the evolution of such a promising form of economic relations as industrial cooperation, which encompasses the execution of large-scale projects, including those on an offset basis.

There has been an expansion in the Soviet Union's industrial cooperation with Western European countries in the manufacturing industries. Industrial cooperation is a long-term area of commercial and economic cooperation, an area which contemplates the establishment of long-term, stable relations and which makes it possible to make better use of the advantages of the international division of labor.

There has been a rather stable development in the Soviet Union's commercial and economic relations with Japan. From 1975 through 1979, trade turnover with Japan increased from 1922 million rubles to 2,605 rubles; the growth in commodity turnover remained stable.

On the Soviet side, there is a readiness to establish the proper atmosphere for future development of commercial and economic relations. The party's plans to develop natural resources in Siberia and the Far East and to build powerful industrial and power complexes in these areas are opening up new prospects for an expansion of commercial, industrial, scientific and technological cooperation between both countries. A lot in this area depends upon the Japanese side, considering the fact that the Chinese hegemonists are trying to give the recently concluded Sino-Japanese agreement an anti-Soviet focus.

There was an uneven flow, with peaks and troughs, in commercial and economic cooperation between the USSR and U.S.A. in the 70's.

In analyzing the status of commercial and economic cooperation between the USSR and U.S.A., it should be noted that the American side is completely responsible for the lack of progress and instability in this cooperation. It should be completely clear to all U.S. political and business circles that they should not expect that the large, potential opportunities for mutually advantageous commercial, industrial, scientific and technological cooperation between the world's two economically largest countries will be realized without a readiness to meet the USSR half way.

As far as the steps taken by President Carter's administration to curtail economic, scientific and technological contacts between both countries are concerned, the Soviet Union's attitude toward these steps was clearly set out in the 7 January 1980 TASS dispatch.

"It is hardly possible that these steps," the TASS dispatch pointed out, "will be greeted with approval by broad circles of the U.S. population which has given numerous demonstrations of its interest in cooperation with the Soviet Union and in expanding business contacts

FOR OFFICIAL USE ONLY

with it, correctly believing that this is beneficial to the United States itself.

"As far as the Soviet side is concerned, it has never fished for such contacts itself, for example, commercial, economic or cultural contacts. It has always emphasized that the development of particular contacts, just like maintaining good relations between the USSR and U.S.A. as a whole, is a mutual matter."<sup>10</sup>

Along with the direct attacks against commercial and economic cooperation with the USSR, attacks which are stimulated by recidivists of "cold war" policies, many western countries are not completely carrying out the measures incorporated in the Final Act of the European conference to eliminate discriminatory restrictions which hinder normal development of trade.

All the practical activities of Soviet organizations to implement the CPSU's policy of developing mutually advantageous, equal commercial and economic relations with western countries objectively promote the implementation of the European conference's Final Act's recommendations in all the areas stipulated by it. Our economic cooperation with western countries is targeted at unconditionally accomplishing the goals set by the Final Act to strengthen security, expand the scope of commercial industrial, scientific and technological cooperation, enrich the types of cooperation and expand contacts between countries with different socio-economic systems.

At the same time, it would be possible to cite a number of cases which testify to the fact that influential circles, primarily in the U.S.A., are doing everything possible to hinder the development of business contacts with the Soviet Union and are thereby hampering implementation of the Final Act's recommendations. Practical experience requires that such interference be eliminated and we can hope that this will be done.

While talking about the CPSU's foreign economic strategy for the modern stage, we should dwell on another major aspect of it, an aspect whose importance increases as the scale of the USSR's foreign economic relations with foreign countries increases. The issue is one of a comprehensive approach to managing and organizing foreign economic relations.

Pursuant to the 25th CPSU Congress decisions, the 10th Five-Year Plan will not only ensure a significant growth in foreign trade turnover and the development of industrial, scientific and technological cooperation with foreign countries, but it will also succeed in achieving improved indicators of quality and an increase in effectiveness in all areas of foreign economic activity. The accomplishment of the foreign trade goals set by the party and government

---

10. PRAVDA, 7 January 1980.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

will require organized and coordinated activities by all work groups in industrial sectors, transportation and foreign trade organizations. It is only by close coordination of production and trade that these goals can be successfully accomplished.

The implementation of the party's policy of the Soviet economy's intensified participation in the international division of labor is decisively dependent upon building up the country's export potential. This is why the 25th Congress decisions attach special importance to increasing production for export, improving the pattern of exports and enhancing product quality.

Improved effectiveness of our imports is dependent upon improved planning and upon careful, zealous use of everything we purchase abroad. This requires bringing enterprises outfitted with imported equipment on-line in a timely manner and it also requires thrifty, economical use of all imported commodities.

The development of foreign economic contacts is targeted at safeguarding our homeland's fundamental political and economic interest. This is why successful development of the USSR's commercial and economic cooperation with other countries is a common cause for all the people, the nation and the party.

We cannot help but recall L. I. Brezhnev's words at the 25th CPSU Congress: "Foreign economic relations binds together politics and economics, diplomacy and commerce, industrial production and trade. Consequently, the approach to these relations and the management of them must be comprehensive, tying together into a single package the efforts of all departments and our political and economic interests. This is precisely how the Party Central Committee frames this important issue."<sup>11</sup>

The party's development of the Soviet nation's foreign economic strategy for the modern stage is a new, outstanding contribution to the storehouse of Marxist-Leninist doctrine. The party has set the country's fundamental, long-term goals in foreign economic relations and it has defined the primary areas for additional improvement and enhanced effectiveness in the work of all ministries, departments and organizations engaged in this sector of the country's economy.

The development of the Soviet Union's foreign economic relations along the path outlined by the party serves the cause of building communism in our country and is responsive to the interests of peace and strengthening peaceful cooperation for the good of all people. The CPSU's foreign economic strategy is therefore of great international importance.

---

11. "Proceedings of the 25th CPSU Congress," p 58.

FOR OFFICIAL USE ONLY

CHAPTER FOUR: THE USSR'S LONG TERM INDUSTRIAL COOPERATION WITH THE DEVELOPED CAPITALIST COUNTRIES: STATUS, PROSPECTS, PROBLEMS

The USSR's long-term industrial cooperation with industrially developed capitalist countries was stimulated by the fundamental changes in international relations which took place in the world in the 70's. An outstanding contribution to the development of such cooperation was made by the CPSU's persistent campaign to implement the 24th and 25th Congress decisions. In implementing the congress decisions, the CPSU was very successful in beginning to strengthen the basis for broader development of long-term commercial and industrial relations between the USSR and capitalist countries. As these relations expanded, new forms of economic cooperation emerged, including long-term economic cooperation to carry out large-scale operations in the USSR on an offset basis.

Moreover, it is important to point out that, along with the already well-known, so-called traditional forms of trade, the appearance and establishment of new forms and methods of cooperation have led to the development of relations into broad, long-term economic cooperation and have occurred on a mutually advantageous basis for the USSR and its capitalist partners. This completely applies to cooperation with capitalist country companies and organizations to execute long-term, large-scale projects in the USSR on an offset basis. This is precisely the type of cooperation which emerged at the beginning of the 70's and which is receiving additional development.

In his remarks at the 25th CPSU Congress, A. N. Kosygin, chairman of the USSR Council of Ministers, pointed out that the Soviet Union will continue the practice of "concluding large-scale, cooperative agreements to build industrial facilities in our country and agreements on the participation of Soviet organizations in the construction of industrial enterprises in western countries. Promising types of cooperation are: offset agreements, especially with short repayment periods for new enterprises, and various types of industrial cooperation."<sup>1</sup> Typical of large-scale, long-term cooperative agreements

---

1. "Proceedings of the 25th CPSU Congress," pp 135-136.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

to build industrial facilities is the fact that they lay a good foundation for expanding industrial cooperation in the most diverse areas. The large-scale and long-term nature of the offset transactions, combined with the traditional principles of Soviet foreign trade--the partners mutual advantage and quality--open up large opportunities for arranging new types of commercial and economic relations between socialist and capitalist countries.

The offset agreements are characterized by such common features as the long-term nature of the loans granted to the Soviet side, loans required to import the necessary technical manuals, machinery, equipment and materials; by offsetting the import costs with deliveries of products for export from the enterprises being built or updated in the USSR; and by the possibility of continued exports after the loans are paid off.

The offset type of cooperation with capitalist countries makes it possible to accelerate the exploitation of natural resources--which is especially important in hard to reach areas--to build or update individual industrial facilities with the least expenditure of domestic capital investment, to attract the latest developments in world technology to develop individual sectors of the country's national economy and to improve the pattern of Soviet exports. The ultimate results are: accelerated rates of the Soviet Union's socio-economic development, better utilization of developments in the scientific and technological revolution and deeper inclusion of our country in the international division of labor by using all the advantages and benefits of this division both for ourselves and for our partners in cooperation.

The offset agreements are mutually advantageous; this is why statements by individual western political figures that these agreements are a "one-way street" which only benefits the Soviet Union are completely unwarranted. Capitalist country companies and organizations are showing a greater, ever-increasing interest in this type of cooperation. In the acute competitive environment of weakened demand in capitalist markets, capitalist country companies are getting major orders for deliveries of complete plants, equipment, machinery and materials to the USSR over a period of several years. On the other hand, capitalist countries are getting a long-term opportunity, including after the offset deliveries are made, to secure many types of the frequently scarce products they need from sources which are free of the crisis-like shocks characteristic of capitalist markets.

Western business circles' interest in developing cooperation on an offset basis with the Soviet Union is shown by numerous polls conducted in Western European countries, Japan and the U.S.A.

## FOR OFFICIAL USE ONLY

New impetus was given to the development of cooperation in building facilities on an offset basis by the signing of the Final Act of the Conference on European Security and Cooperation. It specifically states that the participating nations "recognize...that, given their mutual interests, such concrete forms of industrial cooperation as that to build industrial complexes with the idea of obtaining part of the output manufactured by these complexes, would be beneficial to the development of industrial cooperation...."<sup>2</sup> The conference outlined several specific areas for cooperation on large-scale economic projects and it established a model list of projects where such cooperation would have the greatest economic impact. In the opinion of the conference's members--an opinion which was recorded in the Final Act--industrial cooperation makes it possible to establish stable, long-term economic relations, promote the development of international trade and widespread employment of modern technology, accelerate the industrial development of nations participating in such international cooperation, provide incentives for the development of scientific and technological contacts between competent organizations, enterprises and companies of the countries and ensure the development of relations by considering mutual benefits. This is precisely the direction in which the Soviet Union is developing industrial cooperation with capitalist countries.

The proper consideration of the benefits and advantages of offset agreements for the Soviet side is not possible without an understanding of the economic and financial concepts guiding the business circles, companies and banks of capitalist countries when they conclude such agreements with the Soviet Union. It is clear that the mutually advantageous nature of offset agreements results from a most thorough analysis of all attendant circumstances. Each offset agreement is strictly balanced; it must exhaustively reflect the mutual interests of both parties and ensure equivalent benefits and advantages to both. If we approach the question of what benefits our partners receive from offset agreements and why they are interested in them from this point of view, then we will primarily note that the offset agreements represent an extremely advantageous investment for them, an investment where payment of the loans and the interest on them is reliably guaranteed. Moreover, it is extremely important that the loan and interest payments are primarily made with commodities which make it possible to ameliorate the effect of the inflation in the world capitalist market.

Also attractive to the western business world is the fact that offset agreements with the Soviet Union are, as a rule, large-scale agreements. As a result of this, a large number of very diverse large and small companies are participating in the implementation of cooperation based on offset agreements.

---

2. "On Behalf of Peace, Security, and Cooperation," p 39.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

By the end of the 70's, the total amount of mutual deliveries made according to offset agreements and contracts between the Soviet Union and western countries reached several tens of billions of dollars. These agreements and contracts make provisions for the construction of over 60 major facilities. Right now, offset agreements and contracts basically cover industrial sectors for raw materials, fuel and chemicals. But, talks are already underway for a number of offset projects in manufacturing; interest in these projects is being shown by many capitalist country companies.

Large-scale, long-term offset agreements which were not possible 15-20 years ago graphically demonstrate the broad opportunities opened up for mutually advantageous commercial and industrial cooperation by the political relaxation of international tension. But, as shown by current experience, the realization of these opportunities is not a simple matter. The western countries declarations of their readiness for international long-term cooperation are frequently not supported by practical steps. In many cases, deliveries of Soviet goods, especially highly processed ones to these countries are restrained by tariff restrictions, licensing and quotas on exports from socialist countries. There are also difficulties in making purchases in capitalist countries: refusals to grant bank loans which have become the major instrument of machinery and equipment trading in recent years, the existence of lists of goods banned to the socialist countries and others.

However, the long-term nature of cooperation on an offset basis is beyond doubt. It is not only mutually advantageous economically but it also promotes the strengthening and intensification of detente and serves the noble cause of furthering mutual understanding and confidence between peoples.

The time which has passed since the conference in Helsinki is the best possible confirmation of this. In its foreign economic relations, the Soviet Union is firmly following the policy outlined in the Final Act of the Conference on European Security and Cooperation and is doing everything in its power to ensure that these relations are steadily expanded and intensified.

As pointed out by A. N. Kosygin in his remarks at the ceremonial meeting in honor of the 61st Anniversary of the Great October Socialist Revolution, "The party and government are conducting their foreign policy with due regard for both the positive and negative aspects of the contemporary international environment, for the realistic possibility of achieving step-by-step changes for the better in this environment, for improvement in it....

"...We are in favor of widespread development of political, economic, cultural, scientific and technological ties between all the world's countries and we are in favor of uniting the efforts of nations on an international scale to solve the most difficult world problems

## FOR OFFICIAL USE ONLY

connected with rapid population growth, satisfying the growing needs for food, raw materials and sources of power, environmental protection and disease control. Naturally, as communists, we have our views on the socio-economic and other prerequisites required for the most successful solution to these problems. But, we are ready for equal, mutually beneficial cooperation with other countries, regardless of their social system. A major, necessary condition for this is detente and cooperation between nations has been and will be the reliable foundation for it."<sup>3</sup>

The USSR's economic interrelationships with capitalist countries via joint execution of major projects on an offset basis have set a number of new, complex legal, commercial and organizational tasks for Soviet organizations and for their partners.

The decisive factor for Soviet organizations in accomplishing these tasks is the future improvement in our country's level of economic development. This is why the development of new types of economic ties and new forms of cooperation in the area of industrial production are pursuing the goal of providing maximum economic impact and of opening up additional prospects for integrating the advantages of the socialist system's economy with the scientific and technological revolution which is unfolding in the modern world. This also takes into account the special feature of the contemporary phase of the USSR's economic relations with developed capitalist countries, a phase which is characterized by a transition to comprehensive economic and industrial cooperation based on long-term agreements.

In evaluating the importance of the offset-based cooperation which provides for the construction of major industrial facilities and complexes in the USSR, it is necessary to emphasize an important feature from the point of view of national economic development.

In a rapidly growing socialist economy, the size of the industrial savings fund is determined by the level of national income growth to a great extent. Therefore, economic cooperation which increases the return on investment and the possibility of increasing investments by expanding commercial and economic relations within the framework of the country's current industrial savings fund must ensure an accelerated growth of physical resources and national income.

The facilities being built on an offset basis make a definite contribution to the Soviet Union's economy. Besides expanded production and the development of new capacity at these facilities, they solve the problem of improved labor productivity by using the latest technology and scientific and technological achievements to reduce product manufacturing costs, increase the return on and size of investments with the same producer goods, establish production of new product types, expand the country's export base by

---

3. PRAVDA, 5 November 1978. 21

FOR OFFICIAL USE ONLY



## FOR OFFICIAL USE ONLY

producing goods in demand on the world market which, in turn, leads to an increase in the country's foreign exchange. Within the framework of offset agreements, there is two-way movement of physical value (both imports and exports) counted in billions of rubles. This is an important advantage of offset projects since as they are accomplished the Soviet Union's exports increase significantly. This is the source of their high effectiveness.

As is well known, the extraction of raw materials requires significant capital investments. By using cooperation to build facilities on an offset basis, the Soviet Union has an opportunity to purchase equipment for capital intensive sectors, thereby creating the possibility of investing its own investment resources in less capital-intensive sectors, specifically in manufacturing. The ultimate impact is additional acceleration of the country's rate of economic development.

Economic cooperation on an offset basis is developing extremely dynamically. As a rule, the agreements which have already been signed have provisions for long-term loans granted by our foreign partners, deliveries of licenses, equipment, machinery and materials to the USSR to build major industrial facilities on the loan account and purchases of part of the output of these facilities in the USSR on a long-term basis (10-15 years) in an amount which completely covers the loan principal and interest. Moreover, the facilities being built are totally under the Soviet side's ownership. As far as the share of output to be delivered for export as an offset goes, it is, as a rule, 20-30 percent in the agreements.

When offset agreements are prepared, of major importance are: the definition of agreement facilities, their optimal size and selection of the final output for future enterprises.

At the present time, there are agreements and contracts for deliveries of equipment and materials to the USSR on an offset basis for industrial facilities in the chemical and petrochemical, petroleum-gas, timber, paper and coal industries, ferrous and non-ferrous metallurgy and the food industry.

As a result of the implementation of offset agreements, production of important chemicals--such as ammonia, carbamide, methanol, polyethylene, styrene, polyvinyl chloride, nitrile acrylic acid, benzene, ethylene oxide, dimethyltereftalate--has significantly increased in the USSR. These are important products which significantly determine the possibility of producing goods needed for the country and, therefore, the national economic importance of these goods is very high. Let's cite several examples. The primary consumer of methanol in the national economy is the chemical industry. The majority of the methanol goes to produce formalin, formaldehyde, resin and plastic which is used widely in the building materials industry. It is the basis for thermo-hardening molding powders which

FOR OFFICIAL USE ONLY

are in widespread use in producing consumer goods and in the electronics and engineering industries. Methanol is being used more and more to produce chemicals like acetic acid and polyformaldehyde. As a direct product, methanol is used widely in the paint and other industrial sectors as a solvent. Recently, methanol has been mixed with gasoline as a motor vehicle fuel.

Of the above-cited products, ammonia is very important to the national economy. Over 90 percent of the ammonia is used to produce nitrogen (ammonium nitrate, carbamide) and complex, compound (ammophos, nitrofoska, nitroammofoska) fertilizers. Ammonia is also widely used in a number of chemical industries for amination and neutralization, to obtain a strong nitric acid, etc.

The carbamide produced in enterprises built on an offset basis is primarily used in agriculture where it is employed as a highly effective nitrogen fertilizer with a high nutritive content (46 percent N). Carbamide is also used as a nitrogen food additive in cattle feed. In industry, carbamide is used to make carbamide resins and to produce melamine.

The offset basis was used to build enterprises to produce plastics (high and low pressure polyethylene, polypropylene, polyvinylchloride). Due to a number of valuable properties, these polymers are finding more and more widespread use in the national economy. At present, the level of plastics used in a particular sector of the national economy almost totally determines the feasibility of using scientific and technological achievements in that sector.

For light industry, additional facilities are being built to produce polyester fibers (staple). The main area of polyester fiber use is in producing consumer goods mixed with cotton, wool and synthetic fibers.

Cooperation to build facilities on an offset basis has developed gradually. France is one of the countries with whom cooperation on large-scale projects has reached major dimensions. The most important agreements on Soviet-French cooperation are:

- agreements on deliveries to the USSR of equipment, pipe and materials for gas mains with bank loans and the purchase of Soviet natural gas on a long-term basis;

- agreement on deliveries to the USSR of equipment for the Ust'-Ilimskiy Integrated Pulp and Paper Mill with an annual capacity of 550,000 tons of pulp and on purchases of pulp in the USSR;

- agreement on deliveries to the USSR of equipment to produce polystyrene and styrene and deliveries of polystyrene to France;

- agreement on deliveries to the USSR of equipment for ammonia production plants;

FOR OFFICIAL USE ONLY

agreement on deliveries to the USSR of technical manuals and equipment for aluminum oxide production plants and others;  
agreement on deliveries to the USSR of equipment and pipes for the Tol'yatti-Gorlovka-Odessa Ammonia Pipeline.

In Paris in November 1976, the USSR Ministry of Foreign Trade and the French (Ron-Pulenk) Company signed a general agreement on cooperation with Soviet foreign trade organizations to build chemical production plants in the USSR, specifically to produce fertilizers and insecticides, on deliveries of a number of chemicals to the USSR by (Ron-Pulenk) and on deliveries of several chemical and petroleum derivatives from the USSR to (Ron-Pulenk). To implement this agreement, the All-Union Tekhmash-import Association and the French (Speyshim) Company signed contracts for delivery of 3 complete complex fertilizer production plants, each with an 800,000 ton annual capacity. The French (Krebs) Company signed a contract to deliver a wet-process phosphoric acid production plant with an annual capacity of 150,000 tons. To offset the French party's expenditures for delivery of the cited equipment, a long-term, base-line contract was signed between the Soyuzkhimeksport Association and the (Ron-Pulenk) Company; according to the contract, 40,000 tons of ammonia and methanol and 10,000 tons of orthoxylylol will be delivered to France each year. Deliveries of these goods will continue until the equipment purchased in France is completely offset.

This agreement also provides for deliveries of petroleum and petroleum derivatives to the (Ron-Pulenk) Company but, the contracts for delivery will be concluded two months before the beginning of each calendar year. In addition, beginning in 1981, Soviet foreign trade organizations will purchase various goods from the (Ron-Pulenk) Company in an amount specified in the agreement every year for a 10-year period.

The agreement provides that lists of specific goods will be submitted for mutual agreement by the parties for a yearly or any other period two months before the beginning of each delivery year.

To offset the equipment purchases the Soyuzkhimeksport and Soyuznefte-eksport association signed contracts to export Soviet petroleum derivatives and chemicals in an amount equal to the cost of the equipment purchased from the French (Ron-Pulenk) Company plus the loan cost.

At the end of 1977, the largest contract in the history of Franco-Soviet commercial and economic relations was signed with (Teknip) Company to deliver equipment to the USSR for headquarters plants, a so-called polyester system--the Ufimskiy and Omskiy paraxylylol, orthoxylylol and benzene production plants which provide the raw material to produce polyester fiber and yarns. In addition to

FOR OFFICIAL USE ONLY

(Teknip) Company, the contract will be carried out with the participation of (Litvin) and (Prokofrance) (France), Eurotechnika (Italy), UOP (U.S.A.) companies.

In all the examples cited, the issue is one of large-scale, long-term industrial cooperation with large volumes of goods moving to and from the USSR which increases the opportunity and interests of the parties to the agreement to further increase trade volume and strengthen economic and industrial cooperation.

The FRG has a significant number of large-scale projects. Among the largest is the agreement on cooperation to build an integrated electrometallurgical plant at the Kursk iron ore deposits to produce 5 million tons of metal coated pellets by the direct iron reduction method and approximately 2.7 million tons of high-quality sheets and bars annually. In addition, West German companies have sold us equipment for polyvinylchloride resin and vinylchloride production plants and two high-pressure polyethylene production plants and have signed contracts to export the output of these enterprises from the USSR to offset the equipment purchases.

In February 1976 at Frankfurt-am-Main, the West German companies Salzgitter and (Bokhako) signed some major contracts with the All-Union Tekhmashimport Association. The USSR would receive complete equipment and technical manuals with a capacity of producing 200,000 tons of ethylene oxide per year and with a capacity of processing 120,000 tons per year into monoethylene glycol. Part of the output of these plants will be exported from the USSR until our equipment costs are completely offset.

In 1976, an agreement on cooperation to build a major chemical complex in the USSR was signed with (Kext), Frederick Udeh, (Krupp-Koppers) and other companies; this complex will include dimethylterephthalate, polyester staple fiber, polyester yarn and polyethylene terephthalate production plants. The cost of the plants, technology, know-how and licenses will be paid for with deliveries of Soviet chemicals to the companies, specifically, dimethylterephthalate, paraxylol, orthoxylol, acetic acid and methanol.

Major contracts have already been signed to implement this agreement. Plants have been purchased to produce dimethylterephthalate, phthalic anhydride, polyethylene terephthalate, polyester fiber and yarn and vinylchloride. At the same time these contracts were concluded, contracts were signed for deliveries of goods to offset the total costs of these plants plus loan costs.

To finance the obligations under this agreement, a loan agreement for a 775 million ruble loan to the Soviet Union was signed in March 1977 with the West German Dresdner Bank and the Westdeutsche Landesbank.

FOR OFFICIAL USE ONLY

A contract was concluded with Tissin Plastic Maschinen Company in 1978 for a 50,000 ton capacity low-pressure polyethylene pipe and pipe fitting plant. High pressure polyethylene was sold as an offset.

In 1978, contracts were concluded for deliveries of technical manuals and equipment for the first stage of the first phase of the Oskol'skiy Integrated Electrometallurgical Plant. In the opinion of the Soviet and West German parties, there are prospects for further cooperation in this area.

A major order for deliveries of large diameter pipe to the USSR has been received and undertaken by the West German concern Klekner und KO. Payment for the pipe will be made with deliveries of Soviet natural gas to the FRG. Other contracts signed with this concern provide for deliveries of vinyl and polyvinylchloride, certain types of mechanical equipment and other goods and for deliveries of chemical equipment, metallurgical products and chemicals to the USSR.

In evaluating the development of industrial cooperation with the FRG and considering that the FRG occupies first place based on commodity turnover in the Soviet Union's trade with capitalist countries, it can be confidently stated that the 25-year agreement on economic cooperation established the requisite political and commercial basis for the subsequent, swifter development of industrial cooperation between the 2 countries on a long-term basis.

There is successful realization of the offset projects with Italy through loans granted by leading Italian banks. Not only major Italian companies, such as Montedison, ENI and (Snia-Viskoza) but also small specialized companies like (Pressindustriya), for example, are participating in the implementation of the agreements and contracts which have been signed. Productive cooperation is promoted by the fact that, for example, ties between the Italian and USSR chemical industries are traditionally old. This especially applies to the Montedison group which was a pioneer in the chemical industry in establishing technical cooperation with the USSR. Montedison's first technological contribution to the USSR chemical industry occurred in 1931 when the Montedison company (then Montekardini) built the ammonia synthesis plant at Gorlovka in the Ukraine. This cooperation was developed further, especially at the end of the 50's. Altogether, the former Montekardini, the subsequent Montedison and then (Teknimont)--an engineering company within the Montedison group--supplied the USSR with 31 plants. These plants include, among others, plants to produce ammonia and fertilizer, titanium dioxide, synthetic dyes and intermediate products, melamine, acrylic nitrile, fluorochloromethane, polypropylene and fibers.

Right now, Soviet organizations have contracts with (Teknimont) for delivery of over half a billion dollars worth of plants to the USSR.

## FOR OFFICIAL USE ONLY

A major factor in the development of commercial and industrial relations between the USSR and Italy was the conclusion of agreements on scientific and technological cooperation between the National Committee on Science and Technology and the Montedison group, agreements which have already had positive results. Montedison's interest in scientific and technological cooperation with Soviet organizations should be viewed in the overall context of the continually increasing ties between Italy and the USSR. It would be useful, for example, to recall that over the last 15 years various Italian and USSR organizations have concluded a number of agreements which subsequently turned into long-term cooperation between the parties. The most vivid examples were the 1963-1969 agreement between ENI and Soviet organizations on the purchase of crude oil and natural gas from the USSR and on the construction of a pipeline from the USSR to Italy via the CSSR and Austria and the agreement concluded in 1973 between Montedison and Soviet organizations on the construction of chemical plants in the USSR and long-term purchases of the finished products. The same kind of agreement was also concluded in 1974 with ENI.

It is interesting to note that this kind of agreement has an appreciable, favorable impact on the Italian economy since they not only concern major industrial groups but also a large number of medium and small companies. As an example, it can be pointed out that hundreds of companies were engaged in the construction of the USSR-Italy gas line.

When, for example, Montedison supplies a major plant to the USSR, it recruits approximately 400-500 medium and small companies to collaborate with it.

The development of Soviet-Italian relations, specifically between the Montedison and USSR organizations, in the direction of searching for models and types of cooperation based on long-term offsets represents indisputable advantages for the partners in cooperation compared to conventional types of commercial relations since it provides an opportunity for more rational industrial planning and balanced development of trade relations. Moreover, based on their own experience, Italian companies are convinced that contacts with USSR organizations are especially promising since the Soviet Union's potential domestic market is very large and centralized planning of the economy makes it possible to determine the nature of future projects in advance.

Overall, pursuant to current agreements and contracts, Italy is presently supplying the USSR with complete packages of equipment for 12 chemical plants on an offset basis. To pay for the equipment supplied to the Soviet Union, deliveries of ammonia to Italy are underway.

In February 1979, the routine XIV General Assembly of the Italian-Soviet Chamber of Commerce was held in Moscow. The assembly noted

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

that the mutually advantageous and promising Soviet-Italian commercial and economic relations could serve as an example of positive cooperation between nations with different social systems.

As far as the development of new types of industrial economic cooperation between the Soviet Union and England is concerned, an increased interest on the part of English companies in concluding agreements on the construction of large-scale, offset projects can be noted and there is an increase in their activities in this area. To a certain degree, this is related to the worsening situation with the world's sources of raw materials.

Major British companies have a significant amount of experience with building, mining and manufacturing enterprises in many of the world's countries. Of the capitalist world's 200 largest non-American companies, England has 37 of them, the FRG has 29, and Italy and Holland have 5 apiece. In addition, approximately one-third of all the West European branches of American corporations are concentrated in England; these branches use the scientific and technological potential of their parent companies in the U.S. England has the necessary financial resources at its disposal to carry out large-scale projects.

Also of definite importance is the fact that London is a center for all kinds of trade operations. Several so-called trade houses specializing in barter operate in England. Therefore, it seems that the English market with its developed system of specialized trading companies and its continuing demand for many Soviet exports which can be accepted in payment for offset deals is interested in cooperation with the Soviet Union.

Of course, different English companies do not have the same attitude toward participation in offset projects. The most active English companies in this area are those engaged in the extraction of minerals and those companies which make widespread use of intrasector international industrial specialization in their activities and which have a widespread marketing system within the country and abroad; it is therefore easier for them to accept the conditions of offset agreements for counter deliveries of finished products and semi-finished items on a long-term basis.

The Soviet Union foreign trade organizations have four major joint offset projects with British companies; one of these projects has already been realized. This was the contract with the English John Brown Contraction Company to deliver a complete package of equipment, technical manuals and licenses to produce low-pressure polyethylene at the 200,000 ton capacity Prikumskiy Plastic Plant in Budennovsk. All the deliveries for this project have been completed. Another contract was made with the same firm to deliver a second complete package of equipment for the 200,000 ton capacity Kazan' Orgsintez Plant to produce low-pressure polyethylene. Polyethylene was sold to offset the equipment purchases.

FOR OFFICIAL

The largest offset deal in the history of Soviet-English economic relations is the agreement with the (Davie Powergas) Company, in conjunction with Klekner Industrial Plants Limited (the English branch of the West German Klekner Company), to deliver a complete package of equipment for two methanol production plants with a total capacity of 1.5 million tons per year. Equipment deliveries to the USSR under this contract will be completed in 1980.

Plans call for deliveries of methanol by Soviet organizations to ACA and Klekner Chemical Companies to offset the total amount of approximately 400 million dollars.

There is also a rather small current agreement with the (Combacks) Marx Company; contracts have been made to implement this agreement for deliveries of toys to England in an amount to offset the cost of the molds and materials delivered.

In evaluating the status of Soviet-English large-scale industrial cooperation and in pointing out certain beneficial shifts in this cooperation, one cannot help but conclude that the volume of this cooperation does not totally meet the potential or possibilities of the two countries. This is explained by the fact that there are still obstacles to a broader development of this new type of cooperation for both countries in Great Britain.

In most cases, these obstacles are not caused by trade practices but frequently by the position taken by the administration in its relations with the Soviet Union.

If we turn to trade practices, we can note that English companies are frequently late submitting proposals on requests from Soviet foreign trade organizations compared to firms from other countries and the terms of these proposals submitted by British companies are frequently less competitive than similar proposals from companies of other Western countries. And, if we turn to a discussion of the position taken by the administration, then, as is well known, there has been an increased trend toward political confrontation since the Conservative Party took power in Great Britain. This fact cannot help but have a negative effect on the possibility of concluding major long-term agreements since it evokes a lack of confidence in Soviet organizations that they will be carried out by English companies. However, it should be pointed out that English commercial and industrial circles provided a linkage between trade and political relations throughout the entire history of Anglo-Soviet commercial relations and commercial relations with British companies continue to increase. In January 1980, the largest chemical concern, Imperial Chemical Industries, opened permanent representation in Moscow. The possibility of concluding a long-term, 10-year balanced offset agreement is being discussed with the concern.

FOR OFFICIAL USE ONLY



FOR OFFICIAL USE ONLY

Offset arrangements should not be equated with barter. The principle of totally offsetting import costs by exporting part of the output is economically and legally distinguishable from a barter arrangement. For cooperation on an offset basis, two separate contracts are made at the same time as a rule: one for equipment imports to the USSR and the other for offsetting commodity exports from the USSR. To ensure financing for the offset arrangement, a loan agreement is also entered into to pay for the equipment imports. Moreover, the obligation to pay back the loan is not directly linked to deliveries of commodities manufactured at the facilities to be built and it is paid back regardless of the progress of deliveries of products to be manufactured at the cooperative facilities. It is also important to bear in mind that the partners do not establish any joint enterprises during their cooperation to execute offset arrangements with foreign company participation. The Soviet party is the owner of the facility. The foreign company provides the loan, sells the equipment and licenses, supplies the equipment and contract supervision of it and receives a guarantee of deliveries of commodities it is interested in for a long period of time (this may be recorded by agreement or contract). The joint work, research and consultation provided for by the agreement are executed within the framework of the areas recorded in the agreement itself. The foreign country does not have a right to participate in the operating profits from the facility being built.

Many of the leading capitalist country companies are correctly assessing the prospects of the opportunities opening up for them and they understand the benefit of them. However, not all representatives of the Western business world have a sufficiently clear idea of the advantages of offset transactions for both parties. It is possible that a certain novelty and lack of experience in this kind of cooperation plays a role at this point. This is understandable since all undertakings take time to prove their vitality. But, even today, the experience gained in implementing large-scale projects makes it possible to solve the emerging problems and to rapidly accomplish the preparatory and organizational work. The systematic development of the Soviet economy, the clarity of the terms and the trustworthiness of the parties in carrying out their commitments create good prerequisites for further development and expansion of large-scale economic cooperation. Western companies are beginning to recognize this more and more clearly.

Besides the West European companies, the Soviet Union also has commercial and industrial cooperation with Japanese and U.S. companies.

We have already successfully accomplished the first General Agreement on deliveries of equipment, machinery, materials and other commodities from Japan on credit terms to develop Soviet timber resources in the Far East and on deliveries of timber from the USSR to Japan, an agreement which was signed on 29 June, 1968.

FOR OFFICIAL USE ONLY

The agreement was realized with the participation of 10 Soviet foreign trade organizations and 14 Japanese commercial and industrial companies. On 30 June 1974, we signed the 2nd General Agreement to exploit timber resources; the volume of mutual deliveries under this agreement exceeded the volume under the first agreement by over a factor of 3. In addition, a special loan agreement was signed to finance Japanese exports to the USSR. The 2nd General Agreement has also been carried out.

Interesting and promising areas of cooperation are the joint geological explorations for petroleum and gas on the ocean shelves. An agreement on this kind of cooperation has already been concluded with Japan for the Sakhalin Island shelf.

As a result of the work done in 1975, the parties concluded an agreement which represents a program document with provisions for a package of long-term, large-scale jobs in specific areas of the Sakhalin Island shelf; these jobs include geological exploration, rigging for and exploitation of deposits, extraction of oil and gas, deliveries of the necessary equipment, transportation of extracted minerals to the loading site, delivery of them to Japan and financing of the program.

According to the agreement, all work will be conducted by Soviet organizations, using foreign specialists in isolated cases. The Japanese side is financing the geological exploration for an estimated 10 years (two 5-year periods) by granting an 18-year 100 million dollar loan for the first 5-year period with a favorable annual interest rate. This loan does not have provisions for advance payments. If the parties decide to continue geological explorations after the first 5-year period expires, the Japanese side will grant the USSR a new 100 million dollar loan with the same terms. With this loan, the Japanese side is renting to the Soviet side geological engineering, geophysical and auxiliary transport vessels; floating, sea-going, self-raising or semi-submerged drilling rigs or drilling ships. The Japanese side will also provide equipment, material and services required to execute the geological explorations. This loan, which is called "a loan to be repaid if successful," will be paid off along with the interest on it by the Soviet side only if profitable deposits of oil and gas are discovered and developed. The loan and interest will be paid off with deliveries of oil from the jointly discovered and jointly exploited profitable deposits. The Japanese party has our consent to sell up to 50 percent of the annual oil extracted to Japan at world prices for 10 years after the loan is paid off. The discovery of industrial oil in the very first ocean well confirmed the forecast by specialists that the Sakhalin Island shelf contained petroleum deposits which may become a source of oil supplies for the Far East economic region and a source of oil exports for Japan. All the work has been conducted using equipment

FOR OFFICIAL USE ONLY

rented or purchased with the credits from the loan agreements signed with the Japanese party.

This agreement is vivid testimony to the mutually advantageous nature and stability of economic ties between Soviet organizations and Japanese companies, ties which are evolving based on confidence between the partners.

In December 1974, the USSR Ministry of Foreign Trade, American companies--American Natural Gas Company and Occidental LNG--and the Japanese company Siberian Natural Gas signed a General Agreement on cooperation to conduct geological explorations of the Yakutsk gas deposits. According to the agreement between the participating parties, the list of equipment and instruments to be delivered to the USSR was divided into two parts according to the country of purchase based on the actual capabilities of U.S. and Japanese industries. Part of the instruments and equipment are being bought in the U.S. while heavy and conventional drilling pipes and bits, well survey equipment, and ambient air monitoring laboratories and instruments are being bought in Japan. To finance these purchases, Bank of America (U.S.) and Japan's Export-Import Bank have granted individual loans to the Soviet side. Equipment and instrument deliveries from the American loan have already been completed and equipment deliveries from the Japanese loan are being wrapped up.

In addition to the companies listed, a number of other specialized companies are participating in the Yakutsk project. For example, a contract was signed with Geosource company to deliver 2 seismic vibration systems and 10 wide band gravimeter systems to the USSR for 9 million dollars. A contract was signed with Control Data to deliver a computer system for 13.5 million. The Japanese companies engaged in this project include firms such as Mitsui, Nissho-Iwai, Mitsubishi and (Kokho Tsuse), which are supplying the heavy and conventional drilling pipes, and Sumitomo, which is supplying the pressurized bits and other equipment.

It is anticipated that the cost of the equipment and instruments supplied to the USSR from the U.S. and Japan will be offset by total exports of 20 billion cubic meters of liquified natural gas per year to Japan and the U.S. for 25 years.

The level of industrial development achieved by the USSR and the U.S. opens up the possibility of organizing cooperation with American companies on a cooperative industrial basis. Moreover, it would be logical to examine types of industrial cooperation which would make it possible to ensure balanced accounts between the partners. The development of offset trade would also be promoted by the practice of concluding long-term (up to 5 years) agreements to export Soviet commodities to the U.S. and to import the same total amount of American commodities into the USSR when necessary. Such agreements

FOR OFFICIAL USE ONLY

would greatly facilitate business planning both for Soviet trade organizations and for American companies. Moreover, it should naturally be borne in mind that the areas selected for cooperation should be advantageous both for the Soviet and American parties. Actually, in contrast to the USSR's economic relations with other western countries, major offset arrangements have not been concluded with American companies since 1975.

As of 1 January 1980, Soviet organizations and American companies had general agreements on five offset projects: construction of a mineral fertilizer production complex near Kuybyshev in the USSR and an exchange of chemicals with Occidental Petroleum Corporation; construction of the Center for International Trade and Scientific and Technological Relations in Moscow with the same companies; preliminary exploration of the Yakutsk gas deposits by American and Japanese companies; production of Pepsi Cola soft drinks in a number of USSR cities in exchange for vodka with Pepsico; growing American Virginia and Burley tobaccos in the Moldavian SSR and production of American cigarettes in the USSR in exchange for tobacco with Phillip-Morris Company.

The issue of concluding new offset agreements between the USSR and U.S. was discussed within the American-Soviet Commerce and Economics Council. Based on a proposal by the American side, 28 projects were cited for possible cooperation. Review and implementation of these proposals, as well as others, for large-scale projects will be possible if the U.S. administration renounces its attempts to use commercial and economic relations to put pressure on the USSR and if discriminatory legislation and the competitive nature of proposals from American companies are changed.

While talking about the obstacles created by the U.S. administration for economic relations with the USSR, we should note the extent to which performance of agreements depends upon the partners who sign them and the extent to which U.S. companies which have signed contracts tried to perform their obligations. This is undoubtedly proof of our American partners interest in cooperating with the USSR and of the advantages to them in this cooperation.

As an example, we can cite the agreement with Occidental Petroleum Company to build a chemical complex.

On 23 August 1978, a representative of the company's management was present at the commissioning of an enormous ammonia storage complex near Odessa. Its construction fulfilled part of the commitment under the agreement cited above.

We should also note the major contracts concluded in mid-November 1978 for reciprocal deliveries of chemicals in 1979 at a total amount of approximately 250 million dollars to implement the first major offset agreement in American-Soviet trade with Occidental

FOR OFFICIAL USE ONLY

Petroleum to build a chemical production complex in the USSR and to provide for mutual deliveries of chemicals from the U.S. and USSR. The conclusion of these contracts in the world market's depressed environment for these commodities testifies to the fact that the offset principle is proving itself and that, in spite of all the difficulties in trade due to the U.S. administration's position, the parties which signed the agreement are doing everything possible to thoroughly fulfill their commitments under the agreement. It is not the company's fault that the Carter administration imposed a ban on exports of superphosphate acid.

Now, the first section of the ammonia line (Gorlovka-Odessa) and the ammonia plants in Gorlovka, Odessa and Tol'yatti have come on line.

Naturally, any type of cooperation, including new types, must develop on a mutually advantageous and economically efficient basis for the partners and it must promote successful accomplishment of national economic development programs. Soviet foreign trade organizations must guarantee the advantageous nature and high efficiency of such operations for our country.

The evolution of offset agreements, the problem of a scientific organization for long-term forecasts of commodity market competition and trends in price movements in the world market are becoming more and more critical.

Since offset agreements make provisions for an extended period of cooperation and for firm commitments by the partners, research on international market trends and a study of the factors operating in the unstable capitalist economic environment--specifically market supply and demand changes and fluctuations in market prices in relation to actual commodity costs--are taking on major importance.

Capitalist country companies conduct scrupulous, thorough analyses and forecasts of industry developments for several years in the future using the most up-to-date forecasting methods in order to have, as a rule, several alternative forecasts of a deal's effectiveness, depending upon changes in individual market factors.

Improved long-term forecasting of individual industrial sectors as well as the application of modern forecasting methods to the world market environment and of world price trends for individual commodities have now become practical necessities. It is not possible to have confidence in the correctness of offset project efficiency estimates without long-term planning and without compiling forecasts and trends in price, demand and supply movements for a particular industry both in the USSR and in the world market.

## FOR OFFICIAL USE ONLY

So, cooperation with companies in western countries to build major industrial complexes in the USSR has developed significantly. This type of economic relationship is becoming more and more important and it has been possible due to the USSR's increased economic potential and expanded participation in the international economic system's division of labor. Increased foreign economic ties inevitably presuppose the emergence of new types of long-term economic cooperation.

Thus, during the modern stage of development of the Soviet Union's economy, we should consider the most widespread utilization of the entire package of elements comprising the scientifically-founded Soviet foreign economic policy as important in foreign economic relations. Applied to relations with industrially developed capitalist countries under offset agreements, the issue is actually one of executing a long-term, multi-purpose economic and industrial program with the participation of USSR organizations and capitalist country banks and companies. Each program (agreement) includes the creation of new industrial capacity in the USSR and delivery of the output produced for USSR domestic needs and for export.

Practical experience has confirmed that the realization of offset agreements makes it possible to develop individual domestic industrial sectors at accelerated rates based on the world's most advanced technology and up-to-date imported equipment which meets the latest state-of-the-art in those specific fields of science and technology. The development of new capacity will not only make it possible to supply the needs of the national economy with high-quality products but also to establish a stable base for significant amounts of product exports. The possibility of paying off purchased equipment with exports of part of the output from these complexes reduces foreign exchange outlays while foreign exchange receipts to the USSR from deliveries of the additional output for export may be obtained until the loans are completely paid off.

In discussing the effectiveness of these agreements, it should be pointed out that it depends upon a large number of factors. A change in any of these factors during performance of the agreement may result in reduced effectiveness of the project as a whole.

The size of an agreement's impact is determined by the construction estimate and performance environment, the extent of favorable commercial terms which Soviet foreign trade organizations are able to get from the foreign countries and banks providing the loans, and equipment and industrial experience (technology, know-how, training for Soviet specialists, etc.). The shorter the construction period, the more productive the equipment, the higher the quality of the products, the lower the cost of the loans and the cost of experience being transferred, the more effective the agreement.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

This is why the issue of the effectiveness of foreign economic relations with capitalist countries is a major one for the USSR.

This is the source of the urgent requirement for Soviet organizations to uncover the factors upon which their effectiveness depend, and possible steps to increase the effectiveness of operations under the agreements concluded.

The 25th CPSU Congress devoted a great deal of attention to this issue. In the CPSU Central Committee's Keynote Report to the 25th Party Congress, L. I. Brezhnev pointed out: "The widespread development of offset agreements required increased responsibility for everybody participating in their implementation: not just the foreign trade organizations but also the industrial ministries and enterprises, especially the builders. Building and bringing projected capacity on-stream by the deadline and providing high quality projects--without this, there cannot even be any discussion of the advantages of industrial cooperation." 4

Besides a favorable commercial and political climate in the capitalist country from which financing and equipment are being obtained, the complexity of offset projects, the significant work volume and the large number of Soviet economic organizations participating in the construction of industrial enterprises entail a great deal of commercial experience and faultless teamwork by the Soviet organizations participating in the agreement.

The requirement for precise performance of commitments under offset agreements stems from the very nature of these agreements which determine the party's increased responsibility.

In contrast to the conventional commercial deal where a delay in the construction and commissioning of a complex will primarily be reflected in a delay in the production of finished goods for the domestic market, not meeting the deadline for commissioning facilities built on an offset basis may entail--in addition to the damage caused by the delayed output to the national economy--non-performance of commitments by the Soviet side in deliveries of finished goods from these enterprises to foreign companies and, consequently, may entail a possible loss of foreign currency and damage to Soviet organizations as first-class trading partners.

So, the completion of large-scale, offset complexes is an economically efficient matter and requires an especially urgent establishment of clear-cut work procedures to complete them.

It should not be thought that capitalist companies have advantages over the Soviet side in carrying out commitments under long-term, offset projects.

---

4. "Proceedings of the 25th CPSU Congress," p 58.

FOR OFFICIAL USE ONLY

Practical experience with negotiations and the realization of agreements concluded demonstrate that the companies have, as a rule, insufficient capital available to carry out their commitments under major agreements and are dependent upon banks, monopolies, various organizations and, finally, governmental agencies.

The capabilities of USSR organizations are so great that there have not yet been any projects which have been beyond the capability of Soviet industry. This is the Soviet side's advantage over capitalist companies. There has not yet been a case of Soviet foreign trade organizations refusing timely and complete performance of all their commitments.

The growth in the number of offset agreements and the development of long-term industrial cooperation with a number of industrially developed capitalist countries testify to the capitalist countries interest in developing offset relationships with the USSR. Foreign companies are interested in executing offset agreements not simply because there is a significant increase in their income-producing export opportunities but also because there is an assurance of long-term employment for these companies' workers and engineers and, in addition, in the unstable market environment, crisis in the financial system and energy crisis, there is an opportunity to have relations with a stable market which does not have crises. These agreements also provide foreign companies with a reliable source of commodity supplies (raw materials, semi-finished items and products).

The Western countries' interest in developing economic cooperation on an offset basis is shown by the statements of the participants of the 11th Conference on East-West Relations held in Vienna in 1979. The conference discussed prospects for industrial cooperation between West and East in the chemical sector.

As the director of Montedison's foreign relations department pointed out, "This topic should be examined much more broadly and forward-looking than it has until now. Actually, it is necessary to include the problem of offset agreements in the concrete industrial reality characterizing these two geographic areas and include cooperation in the prospects for the future, cooperation which, we hope, can be developed on a mutually widespread basis and which, we believe, it is necessary to support in every way possible if we want to avoid more serious economic repercussions in the near term." <sup>5</sup>

As is well known, after pointing out the major importance of offset agreements, the 25th CPSU Congress set a goal of expanding the operating areas of these agreements, of including manufacturing in them and of searching for new approaches to industrial cooperation.

---

5. "Proceedings of the 25th CPSU Congress, : pp 57-58,

FOR OFFICIAL USE ONLY



## FOR OFFICIAL USE ONLY

"Right now, these kinds of agreements primarily affect sectors producing raw materials and semi-finished items. But, perhaps it is already time to expand their areas of operation, include manufacturing in them and search for new approaches to industrial cooperation,"<sup>6</sup> noted L. I. Brezhnev at the 25th CPSU Congress. An analysis of the indicators of the 9th Five-Year Plan and the 4 years of the 10th Five-Year Plan shows that this area of cooperation in agreements between Soviet organizations and capitalist country companies is still lagging behind current results achieved in cooperation in such areas as the raw materials industry, power engineering and chemistry. But, it should not be concluded from this that there is only an interest in industrial cooperation on an offset basis in the fields of raw materials or power engineering. Trade experience shows that cooperation between Soviet foreign trade organizations and capitalist country companies in the fields of machine building and finished goods production can also have significant commercial advantages for both partners under the agreement. Cooperation in these areas has greater prospects since, undoubtedly, it provides the partners with the greatest economic impact.

The Ninth Five-Year Plan was a major stage in building the economic and technological base for communism in the Soviet Union. Between 1971 and 1975, there was stable growth in the Soviet economy. A new height has been reached by the country's productive forces. There has been an increase in the efficiency of social production. "If we bear in mind the overall results of the Ninth Five-Year Plan," said L.I. Brezhnev at the 25th CPSU Congress, "the main thing is that the Soviet people's selfless labor and the party's leadership and organization guaranteed stable growth in the economy."<sup>7</sup> At the same time, the 25th CPSU Congress proclaimed a policy of more widespread inclusion of the Soviet economy in the international division of labor, of increasing the role of foreign economic relations to achieve national economic goals and of accelerating scientific and technological progress.

The policy of intensifying the Soviet Union's participation in the international division of labor is a characteristic feature of the 10th Five-Year Plan. Pursuant to congress decisions, the 10th Five-Year Plan is the five-year plan of efficiency and quality and of a decisive change toward the intensive growth factors--the development of production, primarily based on accelerated scientific

---

6. "Proceedings of the 25th CPSU Congress," pp 57-58.

7. Ibid., p 35.

## FOR OFFICIAL USE ONLY

and technological progress, increased labor productivity and enhanced performance at all levels. Emphasis on efficiency is the foundation of the country's economic strategy for the modern stage. The achievement of these goals should also be promoted by better utilization of the advantages of the international division of labor--an important factor for improving the efficiency of social production.

Each country's foreign trade and other types of foreign economic relations result from its participation in the international division of labor. The 10th Five-Year Plan devoted significant attention to foreign economic relations. Using long-term, offset agreements, Soviet organizations have built and brought on-line a significant number of plants which are very important to the country. It is important to note that the most recent technology and latest technological achievements of world science and technology were selected to build these plants. This has in turn defined the solution to two major problems: quality and efficiency.

In all offset agreements, the Soviet side's primary condition was high-quality of the plant's output, considering the maximum requirements of the world market. This condition was also important for the companies supplying the equipment and technological processes when you consider the condition of the offset principle--paying off the indebtedness with part of the output from the completed complex. Considering this principle of the agreement, it is clear that both parties signing it were interested in high product quality and low cost, i.e., in the high efficiency of the facility being built in the USSR.

By the end of the 10th Five-Year Plan, a larger number of facilities were brought on-line in the country than during the first 3 years. These were enterprises whose output meets the world state-of-the-art in qualitative and economic indicators, output which can be exported since it is competitive in all the requisite indicators.

Summarizing the above, it is possible to note that one of the 10th Five-Year Plan's major trends in cooperation with capitalist countries for industrial production--the construction of major new industrial facilities in the USSR on an offset basis--has helped us accomplish the assigned goal--improved efficiency and quality.

These goals set by the CPSU in the 10th Five-Year Plan have a long-term significance since they are targeted at additional improvement for developed socialism and at the Soviet people's forward movement toward a communist society. It goes without saying that the slogan of the 10th Five-Year Plan--quality and efficiency--will be developed further in the 11th Five-Year Plan. In the 11th Five-Year Plan, the Soviet Union will use the

FOR OFFICIAL USE ONLY

advantages offered by foreign economic relations for the swiftest possible solution to the economic problems facing our country.

A significant number of offset construction projects will be completed and brought on-stream in the 11th Five-Year Plan. There is a lot of work ahead for timely performance of the Soviet side's commitments to bring the facilities being constructed on an offset basis on-line.

Under agreements concluded in 1980, significant quantities of exports of products abroad from newly constructed enterprises has begun.

Deliveries of exports to capitalist countries in precise compliance with the commitments contained in the offset agreements will become widespread in the 11th Five-Year Plan.

In 1980, deliveries pursuant to the offset agreements concluded got underway and they will continue for a 5-20 year period. This primarily includes such commodities as ammonia, urea, methanol and potassium chloride. Natural gas deliveries will continue and aluminum and coal exports will get underway under the offset agreements. These large-scale export operations will require a great deal of attention and intense effort. There is a requirement for clear-cut organization of transportation and for timely preparation of special-purpose transportation equipment to transport certain types of chemicals.

We should also remember the difficulty in transporting equipment for such projects as, for example, construction of methanol, orthoxylylol, paraxylylol and benzene production plants. The large amount of super heavy and over-size equipment combined with the exceptionally difficult routes for transporting it and the weather conditions at construction sites create significant problems which have not been encountered in our country or abroad.

For example, under the contract with (Teknip) to equip the Omsk and Ufa orthoxylylol, paraxylylol and benzene production complexes, provisions were made for delivering 45 items of over-sized and heavyweight equipment, including components for xylylol separation columns which were about 60 m long and weighed about 230 t. The transportation of equipment for the Omsk complex presented a problem of building special ice-class pontoons, of taking them along the Northern Sea Route and then down the Ob and Irtysh Rivers to Omsk; it also raised the problem of setting up cranes with a rated load capacity of 230 t to unload the equipment at Omsk. The delivery of these cranes to Omsk is also presenting a major problem.

The Ufa complex can use the sea-river alternative by transloading the equipment from sea-going vessels to river boats at Leningrad and then from the river boats to special-purpose flat barges at Nizhnekamsk. Equipment off-loading at Ufa will also require a large mooring and large cranes.

## FOR OFFICIAL USE ONLY

Along with the 11th Five-Year Plan's performance of the Soviet side's commitments under the long-term offset agreements which have already been concluded, it is also necessary to further develop commercial activities to not only retain the level of offset trade already achieved with the capitalist countries, retain the important indicators on commodity quality and retain the efficiency in volume commercial operations but it is also necessary to achieve an additional qualitative improvement in this cooperation, search for and develop more efficient, previously unused types of cooperation based on long-term offset agreements. This would be significantly facilitated by accomplishing the goals for further development of the country's national economy and by the swiftest possible implementation of the party's program to improve the Soviet people's material and cultural standards of living.

In defining possible areas for foreign economic, commercial and industrial cooperation, it is necessary to start with the outlook for our country's economic development and with the goals set by the party for the modern stage of building the material base for a communist society.

In this respect, I would like to emphasize the following features of economic development in the contemporary stage, features which can be taken into account when planning the USSR's long-term industrial cooperation with industrially developed capitalist countries: a focus on intensive factors of production, significant growth in labor productivity, additional development of our industrial capacity (without significant increases in manpower resources), mechanization and automation of industrial processes, improved product quality and state-of-the-art and also reduced cost. A definite contribution toward the accomplishment of these goals can be made by foreign economic cooperation. There is a firm, long-term foundation for future development of economic relations and for expanding long-term industrial cooperation, not only on an offset basis but also by making widespread use of the advantages of industrial cooperation with capitalist countries.

In our opinion, such cooperation would be of interest in, for example, the production of ethylene, propylene, low-pressure polyethylene, propylene oxide, fiberglass, titanium dioxide, olefin and to process pyrite cinders. Also of interest would be drawing the capitalist countries into offset cooperation to further develop and update the production of potassium chloride, chloride-free potash fertilizers and other products in the USSR. Of course, a lot will depend upon the terms of cooperation, terms which are set to a significant extent by the situation in the world market.

While delivering his report on the future development of USSR Agriculture at the 3 July 1978 CPSU Central Committee Plenum,

FOR OFFICIAL USE ONLY

## FOR OFFICIAL USE ONLY

L. I. Brezhnev specifically said: "We should especially mention herbicides and agricultural pest control preparations. Agricultural requirements for them are still not being satisfied. There is extremely low production and a limited mix of herbicides to treat young agricultural crops like rice, sugar beets, potatoes, cotton and vegetables and none are produced at all for soybeans and sunflowers. This is why agriculture has a shortage in many products. It is necessary to correct this situation...." 8

This is why the expansion of long-term offset cooperation to build protective plant chemical capacity in total compliance with the decisions of the July 1978 CPSU Central Committee Plenum may help agricultural development. Obviously, it would be advisable to examine the feasibility of including long-term barter purchases (5-10 years) of large batches of pesticides in offset agreements in exchange for various Soviet chemicals. Consequently, the issue can also be one of bartering finished goods. Moreover, it is necessary to note the significant resources which the USSR chemical industry now has for an additional increase in exports. These resources are a result of the offset cooperation with capitalist countries during the 9th and 10th Five-Year Plans. Such talks are underway with several major western country companies.

Naturally, the selection of an area for cooperation for the long-term is a difficult job. Therefore, while touching upon the problem of prospects for long-term offset industrial cooperation with capitalist countries, it is only possible to express some general views.

A few words should be said about the possibility of such cooperation in, for example, the areas of paper and pulp products and wide and special-purpose plywood. The USSR's rich timber resources create a favorable environment for this. Soviet foreign trade organizations are conducting talks in this area for a number of promising offset projects; the possibility of implementing these projects will be examined in subsequent years. There is a good foundation for developing cooperation in the food industry and in ferrous and non-ferrous metallurgy.

While talking about developing our country's economy in 1980 and during the 11th Five-Year Plan in his speech at the 27 November 1979 CPSU Central Committee Plenum, L. I. Brezhnev especially noted the importance of the problems facing the country's ferrous metallurgy, transportation and particularly the fuel industry and power engineering: "...We have the world's largest fuel and power engineering complex. During the past 15 years alone, electrical power and petroleum output (including gas condensates)

---

8. Brezhnev, L. I. "Leninskim kursom...", vol 7, p 405.

FOR OFFICIAL USE ONLY

increased by almost a factor of 3 while natural gas production increased by more than a factor of 4. The modern power industry is relying more and more on scientific achievements, highly productive equipment....

"...First, it is necessary to more resolutely increase the rate of natural gas production, especially in Western Siberia, and to support the widespread replacement of fuel oil with gas....

"...It is necessary to accelerate development of the Ekibastuz Kansk-Achinsk and Kuznetskiy fuel and power engineering complexes and, of course, it is necessary to accelerate construction of appropriate power lines, and first and foremost the 1,500 kilovolt DC Ekibastuz Center Line....

"...It is necessary to put increasing targets into the plans to replace obsolescent, excessive energy-consuming equipment, to accelerate technological progress, to make widespread use of energy saving technology, to improve the heat retention of industrial buildings and residential quarters....

"...Our duty is to think about the power industry of the future, the industry upon which the country's economic growth is greatly dependent." <sup>9</sup>

A definite contribution can be made to this clear, concise action program outlined by the CPSU Central Committee by making proper use of the positive opportunities of international economic cooperation.

Our country has significant potential in ferrous metallurgy. During the five-year plans, the Soviet Union has built a powerful metal-working industry (metallurgy and metal-working machine building). Moreover, if the availability of rich reserves of iron ore and coal in our country is taken into account, all of this makes it possible to not only meet our country's total domestic requirements but also to organize exports from ferrous metallurgy to the world market by replacing, for example, exports of iron ore with exports of pellets and iron ferroalloys.

The establishment of the Oskol'skiy Integrated Electro-metallurgical Works, which is being built on an offset basis with West German companies, will make it possible to begin to solve this problem in the near future.

In our opinion, of interest is the idea of attracting foreign companies to build an integrated iron and steel works in the Far East;

---

<sup>9</sup>. PRAVDA, 28 November 1979.

## FOR OFFICIAL USE ONLY

this idea was discussed at the Eighth Soviet-Japanese Conference on Economic Cooperation. The Soviet side is examining the possibility of building the integrated works under offset terms. The construction environment is favorable due to the availability of nearby deposits of good quality iron ore and coking coal, electrical power and sources of natural gas and water. During the first stage, an ore mining and enrichment enterprise could be built. During the second stage, an iron and steel plant could be built with an initial capacity of 3-4 million tons of steel per year and a subsequent capacity of about 10-12 million tons per year.

Making use of the West's current experience in producing fixed drilling rigs to drill along the shelf, drilling equipment, a mix of petroleum pipes and others, could be a promising area from the point of view of attracting foreign companies for cooperation. Proposals have been received on these issues from several companies known for their experience in this area on the possibility of implementing these projects on an offset basis.

As is well known, the Soviet Union's coal industry--in contrast to U.S. and West Europe's industries--has always operated systematically. In recent years, there has even been a slight increase in the rate of development. In 1975, coal mined in the USSR had already reached 700 million tons, thereby exceeding the amount specified by the 24th CPSU Congress directives. It should be pointed out that output has increased and the number of people employed in coal mining has been reduced due to the increased labor productivity in this sector. This was possible because of re-equipping of enterprises, automation and mechanization of industrial processes and utilization of more progressive equipment. In the 10th Five-Year Plan, labor productivity in the coal industry increased by more than 20 percent. In this connection, we should mention the General Agreement on deliveries of machinery, equipment and materials from Japan to the USSR to exploit the South Yakutsk Coal Field.

At present, coal exported to Japan is delivered to the port at Nakhodka from the Kuznetsk Field. Because of the large distance, coal transportation costs are significant. Under these conditions, development of a new Far East export base with lower coal mining and transportation expenses would be very timely. The Southern Yakutsk coal is high coking coal. Studies of the chemical and industrial properties of the coal in the Neryungrinskiy deposits have shown that the only similar coal is the low-volatile coal in the U.S. Similar coal in Canada and Australia is significantly inferior in industrial properties. The amount of Neryungrinskiy coal delivered to Japan under the offset agreement will be approximately equal to the current amount of Soviet coal exports to West European countries. If we add to this the fact that the project includes construction of the BAM-Tynda-Berkakit Railroad which will link the deposits with BAM and Transiberian mainlines,

FOR OFFICIAL USE ONLY

then it can be said without exaggeration that it seems there is a long-term prospect to improve the economic efficiency of exports.

The petroleum industry is among the most rapidly developing sectors of the USSR's economy. During the 11th Five-Year Plan, it will be developed further. In the opinion of Soviet scientists, establishing the Far East's own foundation for a petroleum industry will make it possible to significantly reduce the transportation costs for petroleum and petroleum derivative exports and, at the same time, will make it possible to free Western Siberia's resources for petroleum to expand exports to European socialist and capitalist countries. This issue will be studied in connection with the planned shift of the petroleum base to the East. This is why the above-mentioned General Agreement with Japan to explore and develop petroleum on the Sakhalin Island Shelf is of major long-term importance. The onset of drilling on the Sakhalin Shelf has already had good results.

As noted above, an important result of offset cooperation for the national economy is the savings in capital investments, savings which are realized by replacing a significant percentage of one-time capital outlays with current expenditures to produce the products to pay off the loans.

This effect should be the greatest for offset cooperation in the natural gas and petroleum processing industry which is one of the most capital-intensive sectors. It is economically justified to draw foreign firms into offset cooperation to realize major projects for developing new USSR natural gas and petroleum processing regions which require significant amounts of one-time outlays. Some foreign firms have offered their cooperation on an offset basis for 12 projects which include exploration and development of new structures and deposits on Soviet maritime shelves, new methods of applying secondary and tertiary oil production and construction and retooling of enterprises to produce petroleum-grade pipe, drilling equipment and special-purpose maritime drilling vessels.

The natural gas industry is the Soviet Union's youngest and most rapidly developing sector. A major condition for this sector's rapid development is the possibility of mastering the latest world achievements in technology.

The USSR's offset cooperation with industrially developed capitalist countries to produce and transport natural gas has become a factor in the significant expansion of Soviet exports.

At present, as mentioned above, active talks are being held to conclude an agreement on exports of Yakutsk natural gas. An opportunity appeared to export gas to Japan from Sakhalin Island and the shelf.



FOR OFFICIAL USE ONLY

While touching on the problem of possible cooperation to utilize the natural gas found on the Sakhalin Island shelf in Japan, the Japanese newspaper NIHON KEIDZAI SHIMBUN of 26 October 1979 noted: "...As anticipated, the natural gas reserves are twice as great as the petroleum reserves. There is a high probability that natural gas production will exceed petroleum production; because of this, the Japanese side intends to hold talks with the Soviet side to transport natural gas directly from Sakhalin Island to Hokkaido by pipeline...."

Natural gas reserves in the USSR and the current situation in the world market for natural gas favor further expansion of Soviet natural gas exports on offset terms.

In evaluating the prospects for further development of offset agreements, we cannot help but note the important decisions made at the Eighth Soviet-Japanese Conference on Economic Cooperation and by the Japanese-Soviet Committees on Economic Cooperation to conclude major new offset agreements. This conference was held in Moscow from 24 to 27 September 1979.

The conference examined the progress in performing current general agreements on cooperation to produce industrial chips and long logs from deciduous trees, to develop the Southern Yakutsk Coal Field and Far East timber resources (the second General Agreement), to conduct geological exploration of the Yakutsk natural gas deposits and to explore for petroleum and natural gas on the Sakhalin Island shelf.

The conference noted that the General Agreement on cooperation to develop the Southern Yakutsk Coal Field is being carried out satisfactorily on the whole. It was recognized that the Soviet side had accomplished a great deal of work to develop the Southern Yakutsk Coal Field and to build the BAM-Tynda-Berkakit-Ugol'naya Railroad.

Pursuant to the General Agreement, deliveries of coking coal to Japan are underway.

The conference noted that performance of the second General Agreement to develop the Far East timber resources is being successfully completed on the whole. The approved loan was used completely. Performance of the General Agreement facilitated the guaranteed deliveries of Soviet timber to Japan and the export of Japanese commodities to the USSR. The parties agreed that they will take the necessary steps to perform the General Agreement within the stipulated deadlines.

The conference cited definite progress in the geological explorations at the Yakutsk natural gas deposits and the helpful performance of the parties' subcommittees. The conference recommended speeding up the geological explorations in order to successfully

FOR OFFICIAL USE ONLY

carry out the General Agreement on cooperation in the geological exploration of the Yakutsk natural gas deposits.

The conference noted with satisfaction that the General Agreement on cooperation in geological explorations for oil and gas on the Sakhalin shelf is being successfully fulfilled on the whole. An agreement was reached to continue geological explorations until the end of 1982 and to increase the size of the loan. The geological explorations have had positive results which establish the prerequisites for a more detailed analysis of the feasibility of the parties' further cooperation on this project.

At the conference, there was a detailed discussion of the issues of economic cooperation to exploit Far East timber and timber in the areas adjacent to the BAM route (the Third General Agreement), to update paper and pulp enterprises on Sakhalin, to build the Amur Integrated Pulp and Paper Works in the Far East and to expand special complexes to transfer large cargo containers and coal at the port of Vostochnyy.

As a result of the exchange of opinions, the conference confirmed the parties' interest in further expanding cooperation to exploit timber in the Far East and the areas adjacent to the BAM route. The conference recommended that the parties' subcommittees continue an exchange of opinions on the issues of loans and the mix of machinery, equipment, materials and other goods to be delivered from Japan to the USSR and on the amount and mix of timber to be delivered from the USSR to Japan. Both sides stated that it would be desirable to hold talks and to conclude a third General Agreement to exploit timber in the Far East and the areas adjacent to the BAM route.

The conference confirmed the parties' interest in developing offset cooperation to build pulp and paper industry enterprises in the Far East. To this end, the conference recommended that the parties continue a discussion of technical issues on updating Sakhalin paper and pulp enterprises, construction of the Amur Integrated Pulp and Paper Works and the issues of offset deliveries of the output from these enterprises. The conference also recommended that the parties set deadlines for holding talks to conclude appropriate general agreements after this phase of the work is completed.

At the conference, there was a preliminary exchange of opinions on the possibility of future development of Soviet-Japanese offset economic cooperation to exploit the Molodezhnoye asbestos deposits, to build a full-shift integrated iron and steel works in the Far East and to build an integrated mine and ore enrichment plant and copper smelter for the Udokanskiy copper deposits. Moreover, the Soviet side has proceeded on the basis of the ideas expressed by L. I. Brezhnev during his discussion with the (Kaidanren) delegation in the Crimea in August 1976. The conference considered it

FOR OFFICIAL USE ONLY

advisable to continue studying the possibility of collaboration on these projects based on acceptable forms of compensation and mutual advantage. The parties expressed their basic interest in exploiting the Udokanskiy copper deposits. The Japanese side reported that a special subcommittee on the Udokanskiy project was established within the framework of the Japanese-Soviet Committee on Economic Cooperation.

The Japanese side confirmed its interest in making a proposal to the Soviet side on cooperation to exploit the Molodezhnoye chrysotile-asbestos deposits. The parties agreed to continue a mutual study of this issue.

During the conference, the Soviet side suggested a review of the possibility of cooperation with Japanese companies to build a large non-ferrous metal processing plant in Eastern Siberia on an offset basis.

The conference noted that further development of long-term, large-scale economic cooperation on an offset, mutually advantageous basis will promote an intensification and expansion of Soviet-Japanese economic relations and good, neighborly relations between the two countries.

Definite prospects for industrial cooperation between the Soviet Union and England were outlined during the 8th Session of the Soviet-English Joint Intergovernmental Commission held in Moscow between 24-26 October 1979. The commission's results were greeted by positive responses in most of the leading British newspapers. The stories they published noted the positive results of the commission's session and of the talks which took place during the session between the British and Soviet delegations. British observers ascertained that an interest in further development of business cooperation is being shown by both sides.

Noting the increased commodity turnover in Soviet-British trade during the 9 months of 1979 compared to the same period in 1978, English newspapers asserted that this primarily occurred due to increased exports of Soviet goods to Great Britain. As far as cooperation under offset agreements is concerned, the most important were the recently signed agreements on the delivery of a complete 233 million pound sterling methanol production equipment to the USSR and the contracts signed in 1979 with (Vudl Dakhem) to supply fiberglass production equipment. Members of a British delegation including representatives of such large British companies as Davis Corporation, Courtauld's and George Wimpy Holdings have emphasized their interest on numerous occasions in expanding exports of their products to the USSR, including machinery and equipment for the petroleum and gas processing industries, the automobile industries, the chemical industry and agriculture.

FOR OFFICIAL USE ONLY

The British press has also noted that an agreement was reached between the two parties at the 8th Session of the Soviet-English Joint Commission to renew and supplement the 17 February 1975 Long-Term Program for Economic Development and Industrial Cooperation with new facilities considering the possibilities emerging in the USSR due to the national economic development plan for the 11th Five-Year period.

In 1979, important talks were held between the USSR and France on issues which opened new prospects in this area. Of major importance was the visit of French President Giscard d'Estaing to the Soviet Union. An analysis of the new Soviet-French 1980-1990 Long-Term Program for Increasing Economic, Industrial and Technological Cooperation and of the Agreement on Economic Cooperation between the USSR and France for 1980-1985 makes it possible to identify some basic directions for the future development of industrial cooperation between the USSR and France. Plans call for developing industrial cooperation in computer technology and electronics, the chemical and petrochemical industries, transportation, civil aviation, machine building and metallurgy.

As before, a great deal of attention will be devoted to the completely proven type of offset cooperation in the form of French companies' participation in building industrial complexes in the USSR with the cost of the equipment, licenses and loans completely or partially paid for with the output of these complexes or of other enterprises.

On 12 March 1980, the Soviet Union signed a major new agreement on industrial cooperation on an offset basis with Montedison in Rome; according to the agreement, Montedison will deliver 7 chemical plants to the USSR.

This is the second major agreement of its kind. The preamble of the new agreement notes the successful performance of the first agreement signed in 1973; that agreement made it possible to improve the planning of reciprocal deliveries in production and it resulted in optimal cooperation in developing chemical production in the USSR and Italy.

Recognizing the importance and mutual advantage of cooperation on reciprocal deliveries between Soviet foreign trade organizations and Montedison on this basis, cooperation which promotes increased Soviet-Italian commodity turnover, the parties expressed their basic interest in continuing this cooperation.

The agreement notes that this new General Agreement on cooperation will promote long-term programming and optimization of the USSR and Italian chemical production based on principles of the international division of labor.

FOR OFFICIAL USE ONLY

The agreement consists of two parts. The first part is an offset agreement on deliveries of pesticides, titanium dioxide and polycarbonate production plants from Italy. Also included in the agreement are deliveries of melamine, terephthalic acid, ethylene-propylene rubber and polymethyl methacrylate plants, for which the parties have begun negotiations.

The agreement has provisions for the possibility of expanding it as a result of supplemental talks on deliveries of new industrial plants.

The plants being delivered by Montedison are being bought under terms of a 100 percent offset with the following goods which will be delivered from the USSR to Italy in the 1986-1990 period: ammonia, methanol, aniline and others, based on the parties' mutual agreement.

The second part of the agreement is on reciprocal, balanced deliveries of chemicals by the contracting parties. For example, Italy will receive significant quantities of potassium chloride and methanol while the USSR will receive trifluoraline and atrazine.

Under the agreement, the mix of these goods can also be expanded if balanced deliveries are maintained.

Also meriting attention is the assessment of the new agreement by the Turin newspaper STAMPA. The newspaper wrote that "the economic importance of this agreement, which will have its total impact in future years, recedes to the background right now compared to its political aspects...

"Western Europe's response to Carter's appeal for economic sanctions against the USSR was vacillating and even two-faced. Officially, the West European countries supported Washington's demands or, at least, expressed their approval. Actually, each of the nine EEC members acted more to their own economic advantage than from any idea of collective political solidarity. The French continued to make deals on the quiet, and rather intensively. One of the major West German banks signed a large financial agreement with the USSR, also without any special publicity...."

Then, the newspaper cites what Italy's minister of foreign trade said to its correspondent about economic relations with the USSR. "I believe," stated the minister, "that we, just like the other members of the European community who have, incidentally, not suspended their relations, cannot ignore such a large market. Our goal is not just to maintain relations at the previous level, but also to expand them."<sup>10</sup>

---

10. Cited in: ZA RUBEZHOM, No 14 (1031) 1980, p 9.

## FOR OFFICIAL USE ONLY

The problems in the area of long-term industrial cooperation between the USSR and the developed capitalist countries which were discussed above were, to a great extent, foreordained while the economic goals of previous five-year plans were being accomplished. These problems emerged as a result of economic factors existing in our industries and foreign trade relations during the 9th and 10th Five-Year Plans.

At the same time, the experience gained makes it possible to dwell on new areas of possible long-term economic cooperation, areas which should set the scene for the appearance of new types of such cooperation between Soviet organizations and western companies.

There was a discussion above about the possibility of concluding long-term agreements to exchange finished output and finished goods in the chemical industry. Within Soviet foreign trade, this type of commercial relationship has not seen any significant progress. However, as our industrial capacity increases and as the product mix expands, this type of trade should be given greater attention than before. The problem is that once the deliveries of goods from the USSR under offset agreements have paid off our loans and interest and the companies' commitments to purchase our goods have ended, the issue arises in many cases of the desirability of continuing exports of these goods. In many cases, future cooperation may proceed on the basis of an exchange of finished goods, i.e., on a barter basis but with the deliveries paid for with foreign currency on a balanced basis. In some cases, when there is an environment to conclude long-term agreements and a significant amount of goods, barter may have a number of advantages, especially with the unstable market and unstable monetary units (foreign exchange) of western partners.

The fact is that the very nature of such an agreement is directed at the possibility of planning these commercial operations, improving their stability and even, it can be said, preventing the currency surprises which the capitalist market provides for our partners under the agreement during depressions, unstable monetary units and unstable prices for particular goods. As the capacity being built on an offset basis increases and as Soviet industry develops and considering the current world market situation, the significance of this type of long-term cooperation will obviously increase for the Soviet Union and our partners.

In recent years, the USSR has achieved advanced development in industries which determine technological progress: the chemical, petrochemical, electronics, instrument and machine building industries. With the development of these sectors, we have accumulated a great deal of our own engineering and technological potential. For many types of new industries, Soviet engineers have developed new, original technological solutions, have patented many inventions and have already built pilot plants. The pilot

## FOR OFFICIAL USE ONLY

plants built with Soviet technology have produced new products whose quality is every bit as good as the best foreign models in many cases.

The development of this potential creates new important opportunities for industrial cooperation with capitalist country companies, including offset cooperation. Moreover, the partners' roles under agreements are changing. We can now talk about building industrial plants in the USSR under offset terms but with Soviet technology now and, consequently, we can talk about building the appropriate new equipment, machinery and hardware with this new technology. In this case, Soviet organizations do not buy the technology but supply it for the project and guarantee its quality. In this area, there is a large sphere of activity for industrial engineering cooperation. This cooperation can be advantageous both for Soviet organizations and for capitalist country companies which have the advanced techniques in modern mechanical engineering at their disposal. In this case, the capitalist country companies have an opportunity to use the achievements of our scientists and engineers in the area of the latest technology. A certain amount of work is already going forward in this direction. Proposals have been received from some companies and experience has shown that these are number one partners with a great deal of experience in building modern enterprises; they are companies which are in many scientific areas and are decisive firms for many areas of scientific and technological progress in the capitalist world.

In summary, it can be said that the development of our own technological processes using international industrial cooperation will make it possible to accelerate the implementation of our scientific potential into industrial exploitation. This will make it possible not only to obtain the goods needed for our country and for sale in foreign markets on an industry-wide scale but also to develop equipment to build plants with Soviet technology not only in the USSR but also in third world countries. It is completely clear that this area of cooperation and the development of new types of cooperation appropriate to it is of enormous importance. Actually, as a result of the implementation of this kind of cooperation, the following goals can be accomplished: first, this kind of cooperation will lead to increased efficiency for the USSR in building industrial facilities; second, there may be a significant increase in our country's export posture for the most efficient goods in modern foreign trade--licenses and equipment. The implementation of such cooperation hinges on agreements for industrial cooperation. In the Soviet Union, cooperation with capitalist country companies in the form of long-term, offset agreements has been developed the most. However, the spread of long-term, offset agreements to

FOR OFFICIAL USE ONLY

the area of finished item production has been hindered without industrial cooperation of the partners under the agreement. It can be said that widespread development of industrial cooperation is a logical extension of cooperation between the partners based on offset agreements.

For the first time, collaboration based on industrial cooperation was included in the International Agreement to Develop Economic, Scientific, Technological and Industrial Cooperation with Austria in May 1968. In 1971, this was consolidated in intergovernmental agreements with France and the FRG.

After the 25th CPSU Congress decisions which provided for an expansion of foreign economic relations and the spread of cooperation to finished articles (machine building), the number of agreements based on industrial cooperation began to increase.

At present, this type of cooperation has gone into intergovernmental agreements with Italy, Denmark, Norway, the Netherlands, Sweden, Great Britain, Ireland and Switzerland.

In the practical, international experience of capitalist countries, this type of cooperation is becoming more and more important: traditional types of commodity exchanges are being rapidly replaced by more complex types of economic cooperation--long-term industrial cooperation, joint implementation of projects to build enterprises and to produce and market goods, and an intensified division of labor based on additional specialization of production. By 1972, the volume of output based on international cooperation (350 billion dollars) had, for the first time, exceeded the volume of world capitalist exports (330 billion dollars) and the volume of cooperative deliveries among enterprises of various countries was set at a third of world trade turnover. What is the basic goal of the new, so-called "non-traditional" types of trade? There is a single goal: increasing the exporter's export opportunities both by improved technology, quality products and reduced product cost and by creating a favorable environment for that country's organizations or companies to break into the other country's market where there are so-called invisible barriers. As shown by international experience, this is especially effective in finished goods industries.

It is well known, for example, that it was largely due to the introduction of new types of foreign economic cooperation that Japan and the FRG were able to achieve positive results in accomplishing their goals of rapidly developing exports within a relatively short period of time.

Agreements on industrial cooperation occupy the middle ground between offset arrangements and direct investments by foreign firms in the partner country's industry. With industrial cooperation, the



## FOR OFFICIAL USE ONLY

participating enterprises retain their legal and economic independence in their reciprocal relationships and, therefore, there is no problem of ownership. Industrial cooperation should also include cooperation under subcontracts. Moreover, it should be emphasized that the company's claims to authority are always less when the issue is one of additional cooperative relations under subcontracts. This is why this type of relationship is very widespread and can be considered the simplest form of industrial cooperation. Subcontracts may be executed to transmit standardized components and units or industrial licenses and technology and they are especially widespread in various consumer goods industries. When subcontracts concern deliveries of goods with special requirements from the quality or engineering point of view, then the question usually arises of setting up quality control at the subcontractor's plants. This is the usual institution of quality control inspectors which is also used by Soviet organizations.

It is obviously possible to outline the following types of industrial cooperation in our relationships with capitalist country companies: subcontracts; industrial cooperation; and cooperation between USSR organizations and capitalist country engineering firms in the joint development of technology and planning of plants and new equipment. This is especially appropriate for developing technology under Soviet patents and for using Soviet technology to build new pilot plants and then to execute planning of equipment for series production of these new goods both in our country and abroad. Perhaps, in individual cases, it would even be advisable to establish joint engineering firms in capitalist countries.

Long-term industrial cooperation in machine building is a type of cooperation at least as complex as the offset agreements. Industrial cooperation is cooperation between existing enterprises of different countries. Like offsets, this cooperation makes it possible to plan output, including balanced plans.

The fact that industrial cooperation touches upon manufacturing makes it a strong tool for the relatively rapid development of a large export potential in this sector. We have in mind the possibility of using recent scientific and technological achievements and the latest technology, which provide high product quality with high labor productivity and, consequently, high production efficiency. The following features of this type of cooperation should also be noted: an optional requirement for additional manpower; and industrial cooperation may develop without any significant increase in investment as is happening in the construction of new enterprises.

The advantages of cooperation are significant; they make it possible to obtain advanced technology, know-how and managerial experience. Moreover, there is a decrease in the time and

## FOR OFFICIAL USE ONLY

equipment required to set up production in the USSR of products meeting world standards, not only for the domestic market, but also for export. Cooperation makes it possible to produce products according to blueprints, standards and specifications from leading specialized companies. It makes it possible to increase export potential for goods produced with a high degree of finishing and to expand the market for these goods. In addition, cooperation stands for the possibility, when necessary, of obtaining financing in foreign currency and on preferential terms through the partner. At the same time, companies cooperating with us also receive advantages since they are using the latest achievements of Soviet science and technology.

The international trade in finished products--trade which makes up the overwhelming majority of the commodity turnover of industrially developed countries and which is monopolized by them--is not by any means the result of simple business deals between buyer and seller. At present, it is the result of close, complex inter-relationships not only between businessmen but also between governments, research institutes, financial institutions and production plants of the industrially developed capitalist countries. Commerical, scientific and technological cooperation is maintained at the governmental level through numerous organizations offering suitable opportunities for long and frequent meetings between official representatives. The significant scope of governmental cooperation creates a guarantee of favorable, safe prospects for investment and private entrepreneurial activities and for entrepreneurs to develop a long-term, advantageous strategy. This is precisely the environment where large, American companies have deeply penetrated the structure of West European business and especially the finished products markets. Their significance greatly exceeds their assets. The American companies' penetration of European and other markets has radically changed competitive conditions in the world market. Competition on the world market in the era of monopolies is not conducted by the same rules as it was before when national, relatively independent companies operated in the market. It is not easy to get into this complex system of relations established by the monopolies. Therefore, when the foreign trade organizations of socialist countries began exporting finished products, they ran up against hidden barriers which cannot be overcome by usual competitive methods in the market. To a significant extent, these are the reasons that the countries of the socialist community are exporting significantly less finished products to the West than they would like to and less than the structure of their economies, degree of industrialization and level of scientific and technological development permit.

Therefore, it is understandable that under these conditions the Soviet exporter's attention is attracted not just by official tariff barriers or quantitative and other restrictions, although they are also very important. To set up exports of finished products, it is

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

also necessary to consider the hidden obstacles created by the so-called practice of "current business relations" engendered by the actions of monopolies and various people and other groups.

The conclusion of long-term agreements on industrial cooperation or the establishment of purely engineering joint-stock companies make it easier to use all the opportunities which the countries to which our exports are being sent have available in the market as well as those that the western company itself--our potential partner in industrial cooperation--has available.

However, while it has enormous advantages, industrial cooperation is a difficult matter, especially for organizations which work within a state planning system and have to take into account all the numerous factors operating in the world market for timely and high quality performance of commitments under a cooperative agreement. This kind of relation presupposes long-term cooperation. Industrial cooperation makes provisions not only for scrupulous performance of the prescribed procedures to ensure the required product quality but also continual product changes, sometimes over the period of a year, to maintain its competitiveness in export markets. When quality declines or delivery deadlines are not met, the performance of agreements on cooperation will be difficult.

Is there a realistic basis for implementing industrial cooperation between Soviet organizations and capitalist country companies?

The requirement for economic cooperation with the Soviet Union on the part of capitalist countries results from the increased interest in importing equipment to the Soviet market and in the possibility of getting a number of very important raw materials from the USSR. This fact has become especially important with the contemporary shortage of fuel and individual raw materials in the capitalist world.

With the economic crisis, increasingly worsening sales problems and aggravated intra-imperialist rivalry, the need for cooperation with the Soviet Union and other socialist nations has been transformed into an extremely appreciable factor for increasing the utilization of industrial capacity, increasing the output of products and sometimes even establishing separate sectors to fill orders from the socialist countries and to ensure employment in a number of leading industries.

A study of the feasibility of extending offset agreements to production of finished products unavoidably results in the conclusion that the partners under an offset agreement need industrial cooperation.

In the production of industrial articles, the product of production is subjected to continual changes caused by the need to continually

FOR OFFICIAL USE ONLY

upgrade it and to look for ways to reduce production costs by introducing new production methods and new technology in order to maintain the producer's competitiveness in the international market.

In the case of offset agreements with provisions to offset import costs with part of the raw materials or semi-finished goods, the debt is paid off over an extended period (5-20 years) with the output from the plants built, output whose characteristics do not change for a long period of time. For cooperation between USSR organizations and capitalist countries to produce finished goods, the goods used by the importer to pay off the equipment must track all the changes taking place in these goods in the international market. These product changes may be implemented by the partners to the offset agreement if they enjoy the advantages provided by industrial cooperation for the particular item.

The extension of offset agreements to the production of finished goods without industrial cooperation between the partners to the offset agreement is difficult or may be implemented only for those industries where the output from the system being built in the USSR will make it possible to pay for the loans granted within 2-3 years at maximum. To achieve this condition in these cases, a significantly higher percentage of the output will evidently have to be exported to offset the costs and not the 20-30 percent of output as is the usual practice for offset deals.

The expansion of offset forms of cooperation, transferring them to finished products, accelerating the introduction of scientific achievements and engineering planning into industry, developing an environment for joint operations by engineering firms and industrial organizations for this purpose and, finally, organizing collaboration for industrial cooperation--these are the problems which demand an urgent solution, both for Soviet organizations and for their partners. This is specifically attested to by the fact that Soviet organizations have received proposals from a number of capitalist country companies for cooperation in this area. It is possible to cite a number of examples of possible cooperation with capitalist country companies in the area of cooperation.

Thus, the protocol for the 10-year program of economic and industrial cooperation between the USSR and France, which was signed during L. I. Brezhnev's December 1974 visit to France, provides for cooperation between Soviet organizations and French companies in nuclear energy, including the production of nuclear reactors.

Cooperation has already been established with FRG companies to produce equipment for the machine building industry.

Some companies have submitted proposals on the joint production and provisional sales to third world countries of large industrial gas turbine plants to generate electrical power. Also meriting

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

attention are the interesting proposals from a number of western companies to cooperate in producing an improved tractor for agriculture in the USSR; to develop new technology to harvest cotton, which will provide an improvement in the grade of cotton harvested in the USSR; and to produce timber harvesters which mechanize cutting and logging and guarantee 100-percent utilization of timber resources. Complete utilization of timber resources on a country-wide scale is of enormous importance and the development and then application of new forest exploitation equipment and techniques will greatly increase the efficiency of this sector of our national economy. In this respect, there is a very interesting practice which uses mobile worker settlements and a mobile construction base (cement plants). These developments are undoubtedly of interest to Soviet organizations.

It would be possible to cite a number of other proposals from firms in western countries, proposals which are of interest. Soviet organizations have an opportunity to use the proposals of companies in those areas where it is considered necessary.

Such are the results of the relatively short, time-wise, but overall productive, mutually advantageous, long-term industrial cooperation between the USSR and the industrially developed capitalist countries. Undoubtedly, it was the relaxation in international tension which engendered the atmosphere which is a necessary condition for industrial, scientific and technological cooperation, including cooperation to produce finished products. It should be noted that both Soviet organizations and rather widespread business circles in the West have made use of the opportunities which have opened up to establish cooperation on an offset basis. Definite, positive results have been achieved in developing it. The prospects of such cooperation and the opportunity for capitalist companies to maintain and develop business contacts with USSR foreign trade organizations to build equipment for major industrial complexes both in the USSR and in third world countries--these are the major new factors which, to a significant extent, determine the advantages of international cooperation. They should be used to accomplish the goals of improving the efficiency of the Soviet nation's foreign economic performance.

FOR OFFICIAL USE ONLY

CHAPTER FIVE: THE USSR'S ECONOMIC AND TECHNOLOGICAL COOPERATION WITH FOREIGN COUNTRIES IN THE CONTEMPORARY STAGE. STATUS OF AND PROSPECTS FOR COOPERATION WITH CAPITALIST COUNTRIES

Economic and technological cooperation with foreign countries is a major trend in the Soviet Union's foreign economic relations in the contemporary stage.

Assistance to foreign countries in building industrial, power, agricultural and other facilities, in personnel training and in other areas, became especially widespread after World War II.

This type of cooperation between the Soviet Union and other nations was caused by a number of factors, both economic and political. Of the economic factors, we should single out first of all the rapid advance in the Soviet Union's national economy and the increased scientific and technological potential which established the material prerequisites to expand exports of part of the social product.

As far as political factors are concerned, it is necessary to point out that the CPSU and the Soviet government have always been and are still ready for a comprehensive expansion of foreign economic relations and for a transition from the traditional and sole form of such relations in the past--foreign trade--to mutually advantageous, long-term, large-scale economic cooperation, both bilateral and multi-lateral.

Three stages can be delineated in the Soviet Union's economic and technological cooperation to build industrial, agricultural and other facilities abroad.

During the first stage, this kind of cooperation was established between the USSR and countries which started out on the socialist path of development. The construction of facilities in these countries with assistance from the Soviet Union became widespread and greatly facilitated the consolidation of the socialist community's economic power and helped them stand their ground under the

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

economic blockade mounted by the imperialist powers. Like relations among socialist countries as a whole, economic and technological cooperation to build industrial and other facilities was based on the principles of proletarian internationalism and met the interests of each country's economic development.

The second stage of the USSR's economic and technological cooperation with foreign countries coincided with the arrival of liberated Asian, African and Latin American nations on the world stage, nations which had broken imperialism's colonial chains and had set out on an independent path of development. During this stage, the Soviet Union continued to develop and improve cooperation with socialist countries and also began to build numerous industrial and agricultural enterprises as well as personnel training facilities and cultural and scientific facilities in the developing countries. The Soviet Union's cooperation with liberated nations is characterized by the match between its form and substance and the interests of strengthening these countries' independence.

The third, contemporary stage of the Soviet Union's economic and technological assistance in building industrial, power, agricultural and other facilities in foreign countries has a number of special features. The most important of these features follow.

Socialism has become a powerful factor in the world's socio-economic development, a factor which exerts an increasing influence on all spheres of international affairs. There has been immeasurable growth in the Soviet Union's economic, scientific and technological potential. The previous, practically monopolistic position of the industrially developed capitalist countries on issues of world economic relations has receded into the past and the reigning opinion in the West during the "Cold War" of the "hopelessness" of economic relations with the USSR has undergone significant changes.

Cooperation with socialist countries in this stage has been raised to a qualitatively new level. It is tied more and more closely to the comprehensive Program of Socialist Economic Integration; it is an integral, inherent part of this program and has taken on a multi-faceted feature. There has been a significant increase in the state-of-the-art of facilities under construction.

In cooperation with developing countries, refinery facilities are becoming more and more important. These countries are trying to link the development of their economies closer to the accomplishment of their goals to establish a new world economic order.

Finally, in the contemporary stage, the old myths about the Soviet Union's "technological incompetence" is being replaced in the industrially developed capitalist countries themselves by an increasing understanding of the need for developing economic and industrial

## FOR OFFICIAL USE ONLY

cooperation, an understanding primarily caused by the growth in productive forces and the increased international division of labor. For the western countries, economic cooperation with the USSR is becoming an effective means for holding down inflation and its related negative processes. In recent years, this cooperation has also involved construction of industrial, power and other facilities in capitalist countries with the USSR's assistance. The trend in cooperation between the USSR and the industrially developed capitalist countries successfully proves its vitality.

The expansion and intensification of economic and technological cooperation with European capitalist countries is closely related to changes in the political climate on the European continent and with a recognition of the need for joint efforts by European nations to solve international economic problems, such as energy, raw materials, food and other problems. As far as the Soviet Union is concerned, a readiness to participate in a solution to these problems was expressed by the Peace Program advanced by the 24th CPSU Congress. As shown by experience, a solution to such world-wide problems is only possible based on the best possible use of the advantages and opportunities in the international division of labor with the greatest success being achieved by observing the principle of the partners' equality, non-interference in domestic affairs, mutual advantage, a total renunciation of any discrimination whatsoever in economic relations and total use of all forms of these relations, including mutual cooperation to build facilities in appropriate areas of the economy.

The modern stage of the USSR's economic and technological assistance to foreign countries in building facilities is also characterized by an increased requirement for a scientifically-based, comprehensive approach to solve the practical problems facing Soviet organizations in this area. The number of ministries, departments and enterprises engaged in performing the Soviet Union's commitments under agreements on economic and technological cooperation with foreign countries is growing. There has been an immeasurable increase in the role of science in ensuring the state-of-the-art for facilities under construction. Soviet organizations were assigned difficult goals of improving management and the efficiency of foreign economic relations by the 25th CPSU Congress, goals which must be accomplished without fail.

Considering the importance of the modern stage in the development of the USSR's economic and technological cooperation with foreign countries, it would seem to be advisable to summarize the experience gained and identify some general principles.

In describing the status of and prospects for this cooperation, we should primarily dwell on the development of economic relations between countries of the socialist community since they are having an ever-increasing effect on a solution to the problems of East-West economic cooperation.

FOR OFFICIAL USE ONLY



FOR OFFICIAL USE ONLY

Today, the world is witnessing the fulfillment of Lenin's prediction that socialism would be transformed into an international force, able to decisively affect all world politics. "No objective person," the CPSU Central Committee's Keynote Report to the 25th Party Congress states, "can deny that the socialist countries' influence on the course of world events is becoming ever-stronger and more profound."<sup>1</sup>

The socialist community--a new international community of nations--has become a powerful factor of modern world development in defining the basic trends for mankind's progress. In this respect, it should be pointed out that the CMEA member countries produce 3.5 times the world average industrial output per person and have a national income 3.5 times greater than the world average. The countries of the socialist community presently share over one-third of world industrial production, 21.4 percent of electricity generated, 17.2 percent of chemical fibers produced, 27 percent of the cement produced, 27.1 percent of the sulphuric acid produced, 19.2 percent of the cloth produced, 30.5 percent of the steel produced, 29.8 percent of the coal and anthracite mined, 19.3 percent of the petroleum produced and 26.3 percent of the natural and casing-head gas produced.

The socialist countries' economic relations with the Soviet Union make a significant contribution to their improved industrial potential. Within these relations, an important spot belongs to economic and technological cooperation in building industrial enterprises and other national economic facilities. Moreover, there is a continual increase in deliveries of complete packages of equipment from the USSR to the socialist countries.

Pursuant to agreements concluded on economic and technological cooperation, the Soviet Union has assisted and is assisting the socialist countries in the construction, upgrading and expansion of approximately 2,800 enterprises, individual shops and other facilities, of which over 1,780 have already been put on-line.

The following figures can be cited to describe the enormous scale of Soviet assistance: industrial facilities built in these countries with the participation of USSR specialists by January 1980 have an estimated annual production of 29.7 million tons of rolled stock, 22.7 million tons of pig iron over 27 million tons of steel and more than 37 million tons of petroleum; the installed capacity of all types of power plants is 35 million kilowatts. For comparison, suffice it to say that the capacity brought on-line in the CMEA countries to produce electricity and rolled steel products matches the potential our country had at the beginning of the 50's.

---

1. "Proceedings of the 25th CPSU Congress," p 5.

## FOR OFFICIAL USE ONLY

The prefabricated building facilities built with the assistance of Soviet organizations are of significant importance for the realization of the residential construction program; the annual capacity of these facilities is estimated at 4.0 million cubic meters of living space.

A solution to the fuel and energy problem occupies a leading place in the socialist countries' economic and technological cooperation at present. With the Soviet Union's assistance, major power facilities with various capacities have been built and are operating successfully in the European socialist countries alone. The People's Republic of Bulgaria (PRB): the 880,000 kilowatt Kozloduy nuclear power station (the first phase); the First Komsomol, Varna, Maritsa-Vostok II and Bobov Dol thermoelectrical power plants with a total capacity of 2,991 megawatts. The German Democratic Republic (GDR): the Tierbach 840,000 kilowatt and Boxberg 3.52 million kilowatt thermoelectric power plants; the Nord 1.76 thousand kilowatt nuclear power plant (second phase). The Polish People's Republic (PPR): the Kozenitse, Skavina, Turruv, Pontnuv and Iaworzno thermoelectric power plants with a total capacity of approximately 4.22 million kilowatts. Cuba: the 300,000 kilowatt Rente and 500,000 kilowatt Mariel thermoelectric power plants. The Romanian Socialist Republic (RSR): the Deva 1.50 million kilowatt and Braz-Ploesti 460,000 kilowatt thermoelectric power plants. The Yugoslav Federal Socialist Republic (YFSR): 7 thermoelectric power plants with a capacity of 2.2 million kilowatts, the Czechoslovak Socialist Republic (CSR): the 880,000 kilowatt power plant at Yaslovska Bogunitsa. The RSR-YFSR: a hydro-electric system on the Danube with a total capacity of 2 million kilowatts.

The socialist countries cooperation in developing nuclear power should be especially noted. The measures planned in this area using the advantages of the international socialist division of labor are without precedent in the community's history. From 1981 to 1990, approximately 50 industrial associations and enterprises of 8 nations will direct their efforts at producing complex, unique equipment. Among them are the Soviet Atommash Plant at Volgodonsk, the Czechoslovak V. I. Lenin Skoda Engineering Conglomerate, the GDR's Thaelmann Integrated Basic Engineering Plant in Magdeburg, the Hungarian Khemimash Conglomerate and the Polish Megat. With the USSR's assistance, plans call for building several nuclear power plants with a total installed capacity of about 37 million kilowatts in the socialist countries in the next decade.

The development of ferrous and nonferrous metallurgy is of major significance for socialist country economies. In the past, the metal industry in many of these countries was poorly developed and in some of them like Bulgaria, this industry didn't exist at all. Now, powerful metal industry enterprises equipped with up-to-date equipment and using the latest technology have been built and are successfully operating in the socialist countries.

FOR OFFICIAL USE ONLY

## FOR OFFICIAL USE ONLY

Integrated metal-working plants and annual productivity: BPR: Kremikovtzi--2.4 million tons of rolled products (expanding to 3 million tons); the V. I. Lenin Plant at Pernik--0.6 million tons of rolled products. The PPR: the V. I. Lenin Plant--6.7 million tons of steel, Katowice (first stage)--4.5 million tons of steel. The HPR: Danube--540,000 tons of pig iron 450,000 of steel, 400,000 tons of hot-drawn sheets and 256,000 tons of cold-drawn sheets. The GDR: the East cold-rolled steel-sheet complex with a productivity of over 1 million tons. The CSR: Vostochnoslovatskiy (hot and cold sheet-metal rolling shops)--3.7 million tons. The YFSR: the Zenica Mining and Smelting Works--expanded to 1.3 million tons of steel. The metal-working industry in the socialist countries has now been transformed into a leading industrial sector.

In recent years, the European socialist countries have also achieved enormous results in developing the chemical industry, machine-building industry, coal industry, transportation and communications, construction industry, food industry, living facilities and public utilities, geological exploration, the timber industry, paper and pulp industries, wood-working industry, agriculture, etc. Their cooperation with the Soviet Union is of major significance in developing these sectors.

As the CMEA member countries economies have grown stronger, the scale and complexity of economic development goals have made it necessary to use new types of cooperation, types which make it possible to raise major economic problems which can only be solved with the multi-lateral efforts of the interested countries by drawing on their financial, physical and manpower resources. For example, a difficult modern problem like meeting the requirements for the production of the fuel and raw material industrial sectors can no longer be solved by any one of the community's countries. The requirements for petroleum, natural gas, ferriferous raw materials, ferrous and non-ferrous metals, raw materials for the chemical industry and electrical power have increased so much and continue to increase at such a high rate that only the efforts of a number of interested countries can make it possible to build a realistic base for developing the appropriate industrial capacities.

It is important to emphasize the coordination of comprehensive cooperation by the CMEA member countries to take specific steps to support accelerated economic development and improved efficiency for the national economies of the Mongolian People's Republic, the Republic of Cuba and the Socialist Republic of Vietnam with due regard for the historical, natural and economic conditions of these nations. For example, due to the comprehensive cooperation with the Soviet Union and other socialist countries, new industrial sectors have emerged and have been rapidly developed in

## FOR OFFICIAL USE ONLY

Mongolia's national economy: the electric power, mining, metal-working, textile, leather and foot-wear, food and several other industries. With the Soviet Union's assistance alone, approximately 390 facilities in various sectors of the economy have been built and brought on-line in Mongolia. At the end of 1978, the first stage of Erdenet, the largest copper and molybdenum integrated mining and processing works in Asia, was brought on-line.

In Cuba, over 180 industrial enterprises and other facilities have been built and updated with the USSR's technical assistance. Among them are the Mariel and Rente power stations which presently provide approximately 40 percent of the electrical power generated in the country. Over 100 sugar plants have been updated; as a result, the sugarcane processing capacity increased by approximately 14 percent. A fishing harbor with shore facilities serving about 130 medium fishing trawlers, an integrated home-building factory to produce 70,000 cubic meters of living space (1,700 apartments per year), 36 personnel training centers for various sectors of the national economy and a number of other facilities have been built. Multi-lateral agreements have been signed on cooperation with the CMEA member countries to build new capacity in Cuba to produce products containing nickel and cobalt and to increase geological exploration in Cuban territory.

It is hard to exaggerate the importance of the fraternal assistance given to socialist Vietnam by the CMEA member countries. The multi-faceted economic and technological cooperation between the SRV and other socialist countries has facilitated the establishment of major industrial capacities in the various sectors of the country's national economy. The output produced at enterprises built with the Soviet Union's assistance as a percentage of the country's total industrial production in 1979 was: electrical power--35 percent, coal-mining--90 percent, sulfuric acid--90 percent, superphosphates, apatites, tin and cutting tools--100 percent and metal-cutting machine tools, 75 percent.

Our country is providing free assistance to finish construction of the bridge over the Red River, to implement the first phase of the rehabilitation of the Hanoi Rail Center and to widen the Hanoi-Ho Chi Minh rail line, for which China unilaterally refused to fulfill its commitments to Vietnam in 1978.

Economic relations between the CMEA member countries and the Yugoslav Federal Socialist Republic are developing successfully. Economic and technological cooperation between the Soviet Union and Yugoslavia encompasses more than 130 industrial enterprises and other facilities in various areas of the YFSR's national economy, primarily in the power industry, ferrous and non-ferrous metal industries, coal and petroleum processing industries and machine building. Of these facilities, 70 have been brought on-line, including, for example, such large facilities as the Dzherdap

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

hydraulic power engineering and ship-building complex on the Danube near the Iron Gates, the large Birach Aluminum Plant and others. Yugoslavia is a party to the agreement on industrial specialization and cooperation on atomic power plants for the 1981-1990 period, which was signed within the CMEA framework.

The need for a comprehensive solution to major economic problems has led to more widespread participation by CMEA member countries in the international division of labor, primarily within the framework of the socialist community, and it has required additional improvement in the types of cooperation and the organization of it.

A major area in the socialist nations foreign economic relations is their bilateral and multi-lateral cooperation with developing countries. CMEA member countries provide mutually advantageous terms for economic and technological assistance to 78 developing countries. With their assistance, approximately 4,000 industrial enterprises and other facilities have been, are being or will be built in these countries. Of these facilities, approximately 2,800 have already been brought on-line.

The socialist countries foreign economic policy toward the developing countries and the principles upon which their relations are founded are rated highly by these countries.

The Soviet Union is steadfastly expanding economic cooperation with developing countries on a long-term, mutually advantageous basis. At present, the USSR has inter-governmental agreements on economic and technological cooperation with 65 Asian, African and Latin American developing countries.

From time to time, certain western propaganda publications contain allegations that the Soviet Union is supposedly only interested in obtaining modern technology from the industrially developed capitalist nations and is following a policy of curtailing its economic relations with developing countries. This is specifically the "concept" advanced in the report "Soviet Assistance to the Third World" prepared by the bourgeois economist and "Sovietologist" A. Volynski for the British "Institute for the Study of Conflict." Alleging that "Moscow is evading cooperation" and then announcing this as "economic reality," the author categorically dictates to the developing countries: "the economic problems of Third World countries can only be solved in light of their joint interests with the West; there is a clear-cut interdependence here and confrontation would make these problems more unmanageable." You couldn't put it any clearer!

However, the facts show something different. The Soviet Union is expanding and strengthening its economic relations with developing countries; from 1976 through 1980, complete units of equipment

FOR OFFICIAL USE ONLY

exported from the USSR to the developing countries increased by a factor of 1.4 compared to the previous five-year period.

The Soviet Union is in favor of increasing and expanding equitable economic cooperation among all countries, regardless of their social systems. And, naturally, while solving the problem of expanding economic relations with industrially developed capitalist nations, the USSR is not doing it at the expense of developing countries. This policy of the CPSU and Soviet government has been emphasized in all major international forums. The Soviet Union is providing the utmost support to new nations in their campaign to establish a just system of economic relations. This immutable policy is clearly and specifically set forth in the Soviet government's Statement on the Reorganization of International Economic Relations, which specifically states: "The Soviet Union, guided by its immutable policy to strengthen peace and improve the entire system of international relations, persistently favors a reorganization of them on a democratic and just basis. Moreover, it proceeds on the basis that the fundamental interests of the socialist countries and developing nations primarily coincide in this area. The socialist nations are firmly against discriminatory policies in any of their manifestations and against exploitation of the developing countries."<sup>2</sup>

The Soviet Union's position on the North-South dialogue is also widely known. We are in favor of solving the developing countries economic problems but we are against attempts to solve them within a "homespun circle" of capitalist nations without considering the interests of the developing countries themselves first and we are against forcing on them decisions which are advantageous to the most powerful trans-national monopolies.

The Soviet Union is building its economic and technological cooperation with liberated nations on just, democratic principles. The national economic facilities being built with the USSR's assistance in various sectors strengthen these countries national economies and help accomplish their socio-economic goals, eliminate the colonial structure and improve living standards, specifically by helping them solve the food problem, provide employment for the people and others.

By the beginning of 1980, over 640 facilities were built and brought on-line with the Soviet Union's assistance in developing countries pursuant to agreements concluded. Over 500 other facilities are under construction or in planning.

---

2. PRAVDA, 5 October 1976

FOR OFFICIAL USE ONLY

## FOR OFFICIAL USE ONLY

A typical feature of the USSR's cooperation with developing countries is its productive nature. The overwhelming majority of the assistance is primarily targeted toward establishing and developing industrial and power engineering capacity and at developing agriculture and transportation. Basically, this assistance is provided to the public sector of these countries.

The distribution of the Soviet Union's total volume of economic and technological assistance to developing countries by sector is shown by the following data: industry and energy--74 percent, agriculture--7 percent, transportation and communications--7 percent, geological exploration--5 percent, education, culture, public health, housing facilities, public utilities and others--7 percent.

The table below shows individual data on the total capacity of facilities constructed, under construction or to be constructed in developing countries with the USSR's assistance at the beginning of 1980.

Table 12

	Unit of Measurement	Provided for by Agreements	Already Brought on Stream
Power Plants (installed capacity)	millions of kwt	15.9	7.2
Pig Iron	millions of tons	17.8	8.8
Steel	"	19.6	8.2
Rolled Stock	"	13.3	7.5
Iron Ore	"	14.0	10.9
Coal	"	21.5	3.3
Oil (Output)	"	65.0	62.0
Bauxite	"	2.5	2.5
Aluminum Oxide	thousands of tons	200.0	200.0
Mineral Fertilizer	"	105.0	105.0
Prefabricated Housing	millions of m <sup>3</sup> of living space	3.5	0.3
Land Reclamation and Irrigation	thousands of hectares	758.8	151.0
Kilometers of Railroad	thousands	2.1	1.5
Kilometers of Highways	"	2.1	2.1

FOR OFFICIAL USE ONLY

While talking about the geographical areas of our cooperation with developing countries, it should be noted that the greater part of our assistance goes to Asian border countries.

An example of the Soviet Union's multi-faceted, comprehensive assistance in building national economic facilities is the cooperation with Afghanistan, cooperation whose importance increased significantly after the April 1978 revolution when the elimination of backwardness and improved living standards for the people based on profound social transformation became the basic substance of the new Afghan leadership's policy.

Soviet-Afghan economic and technological cooperation covers vitally important sectors of Afghanistan's national economy. As a result of geological explorations conducted with assistance from Soviet specialists, deposits of natural gas, petroleum and a number of solid minerals, copper in particular, were discovered in Afghanistan.

An important place in Soviet-Afghan cooperation is occupied by national technician training. Over a 20-year period, facilities of Soviet-Afghan cooperation have trained over 70,000 Afghan skilled workers. A solution to the problem of training for professionals and technicians will be facilitated by the protocol signed in Moscow in October 1979; pursuant to this protocol, the Soviet Union will provide technical assistance to Afghanistan in setting up 5 training centers for 3,000 people.

The Soviet Union is providing significant assistance in improving Afghanistan's agriculture. With the USSR's assistance, irrigation systems were built in Jalalabad and Sarde areas, systems which make it possible to irrigate approximately 40,000 hectares of land. The two public farms established near Jalalabad are growing crops for export, crops such as citrus fruits and olives.

In August 1979, an agreement was signed for the Soviet Union to provide technical assistance to Afghanistan in building 7 vehicle-tractor stations and to deliver agricultural equipment.

The facilities built with the Soviet Union's economic and technological assistance are making a significant contribution to the country's economic development.

The size of the profit and the volume of output in 1979 for enterprises built with Soviet technological assistance--enterprises such as the Shabarghan Gas Fields, the Mazari-Sharif Nitrogen Fertilizer Plant and the Kabul Motor Vehicle Repair Plant, Integrated Prefabricated Housing Plant and Bakery--were approximately 7 billion Afghans, which is equal in value to 40 percent of total industrial output and approximately 60 percent of the public sector. Facilities in the power industry provide approximately 60 percent of the electrical power produced in the country.



FOR OFFICIAL USE ONLY

In exchange for deliveries of Soviet machinery and equipment to Afghanistan, the USSR receives natural gas, carbamide and agricultural produce, which, in turn, promotes an expansion of trade between the two countries.

The basic trend in Soviet-Afghan cooperation for the near term calls for a continuation of geological exploration for petroleum and natural gas, an expansion of the gas fields, construction of a number of important facilities--including those at known solid mineral deposits and a bridge over the Amu-Dar'ya; the construction of the latter will promote an expansion of economic relations between the two neighboring countries--and facilities for the light and food industries which are of major importance to the country's economy.

The USSR's economic and technological cooperation with India has been developing successfully since 1955 when the first inter-governmental agreement was signed. Since then, over 50 different facilities have been completely or partially brought on-line in the country. They include ferrous and non-ferrous metal industry facilities, coal and petroleum production enterprises, machine building facilities, power engineering facilities and pharmaceutical facilities. A lot has been done in the area of indigenous personnel training. The largest and most efficient enterprise in India's ferrous metals industry is the first-born of Soviet-Indian cooperation--the 2.5 million ton capacity Bhilai Steel Works. In 1978, the first phase of the Bokaro Steel Works (1.7 million tons of steel per year) was brought on-stream. With the USSR's assistance, both these works are now being expanded to a capacity of 4 million tons of steel per year each. Among the largest cooperative facilities are: the Korba Aluminum Plant, the Ranji Heavy Machine Building Plant, the Durgapure Mining Equipment Plant, the Khardvara Heavy Electrical Equipment Plant and the petroleum refineries, power plants and subway in Calcutta. Facilities built with the USSR's assistance forge approximately 40 percent of the steel produced in the country, produce approximately 60 percent of the petroleum, process about 30 percent of the petroleum and produce approximately 20 percent of the electrical power.

The USSR's cooperation with Iraq supports the implementation of the program of socio-economic changes taking place in the country during implementation of the 1976-1980 five-year plan. A vivid display of this cooperation was the comprehensive assistance supplied in exploiting Iraq's petroleum resources. An oil field in Northern Rumayla was brought on-line, the Nahr Umr and Lukheys oil fields were rigged and a petroleum pipeline and petroleum products pipeline were built. In collaboration with the USSR, Iraq is developing an integrated water utilization system for the Tigris-Euphrates and the man-made lake in the Tatar Basin and major facilities were built for the machine building, electrical

FOR OFFICIAL USE ONLY

power, light and pharmaceutical industries. With the construction of the Baghdad-Basra and Shueyba-Umm Kasr railroads, the length of the country's rail lines has increased by 45 percent.

The largest facility of Soviet-Syrian cooperation is the Euphrates Hydro-electric System with an 800,000 kilowatt hydro-electric power plant which generates over 80 percent of the electrical power used in Syria. The Al-Asad reservoir formed by this system's dam will make it possible for Syria to double the area of irrigated land.

With the USSR's technological assistance in the public sector, Syria has developed a new, highly profitable sector--the petroleum industry which has become the primary source for obtaining freely convertible foreign currency. The length of the railroads being built with the Soviet Union's assistance is 1,400 km, which covers practically all the country's areas.

An almost 50-year history is behind the USSR's economic and technological cooperation with Turkey; the positive results and favorable prospects of this assistance have been rated highly by Turkish leaders.

The most important cooperative facility is the largest industrial enterprise in Turkey--the 1 million ton capacity Iskenderun Iron and Steel Works, where 40 percent of the pig iron and 20 percent of the steel forged in the country were produced in 1979. Work is presently underway to double the capacity of the Iskenderun Iron and Steel Works. There is also agreement on future expansion of it. Among the other operating facilities, we can cite the country's first aluminum plant at Seydishehir, the petroleum refinery at Aliaga and the sulphuric acid plant at Bandirma. Construction is being completed on the dam and large reservoir on the Akhuryan border river, which will make it possible to irrigate tens of thousands of hectares of land.

Among African countries, a leading place in the amount of technological assistance provided by the Soviet Union is occupied by Algeria. The largest newly erected facility in the country is the iron and steel works at El-Khadjar where 95 percent of the steel produced in the country is already being forged. The USSR provided assistance to Algeria in building the Ismail Mercury Plant, which became one of the country's largest producers and exporters of mercury. Petroleum is drilled in Algeria with Soviet drilling rigs. Soviet geologists discovered or reassessed several dozen deposits of various minerals.

In Tropical African countries, the agreements concluded on economic and technological cooperation make provisions for the establishment of approximately 250 national economic facilities with assistance from the USSR. Of these facilities, over 100 have already been

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

brought on-line. It should be noted that 85 percent of the technological assistance goes to industry. Among the major facilities already brought on-stream are a bauxite production system, a sawmill and a food-processing plant in Guinea, an oil refinery in Ethiopia with a processing capacity of over 625,000 tons per year, a cement plant in Mali, a reinforced concrete slab plant in Ghana, 10 diesel power plants in Zambia, a food-processing plant in Somalia and one in the Sudan, a cotton spinning mill in Uganda and others.

A major role is played in cooperation by facilities whose construction promotes the African countries agricultural development, primarily facilities for irrigation and sprinkling. For example, Soviet specialists are helping Mozambique develop an overall reclamation for the Limpopo River Valley and they are helping Madagascar develop an irrigation system for the Mandrara River Basin. Countries in the region are being given assistance to establish agricultural farms, research laboratories and experimental agricultural stations. Significant assistance is being provided to African countries in public health.

It is also necessary to point out the favorable prospects which have taken shape in recent years in our cooperation with Latin American countries, primarily with Peru, Mexico, Colombia, Argentina and Venezuela. In 1977, agreements on economic, scientific and technological cooperation were signed for the first time with Jamaica, Guyana and Costa Rica and, in 1980, they were signed with Nicaragua.

Economic cooperation with the USSR and other socialist countries is making equivalent, truly equal trade possible for the new nation states and is expanding their access to modern machinery, equipment, technology and industrial experience, which leads to positive changes in their economies and increases export opportunities for these countries while the maintenance of accounts on a clearing basis makes it possible for them to conserve their convertible currency. The USSR's cooperation with developing countries is based to an ever-increasing extent on long-term (10-15 years) inter-governmental agreements and programs which make it possible for both our organizations and our partners to plan stable development for the entire economy and individual sectors of it for the long-term and to stimulate increased production of the appropriate output.

These principles of the Soviet Union's economic and technological cooperation with developing countries and the radical contrast to economic relations between developing countries and industrially developed capitalist countries can be seen especially vividly in the example of Iran. The USSR's cooperation with this neighboring country has taken on a long-term, large-scale nature.

## FOR OFFICIAL USE ONLY

With the Soviet Union's assistance, Iran is building approximately 120 facilities, of which 66 have already been brought on-stream. All of these facilities make a significant contribution to the country's economic development. The enterprises being built in Iran with the USSR's technological assistance have belonged completely to the Iranian people from the very beginning and are not tools for exploiting Iran's manpower and natural resources as happens in Iran's relations with the western monopolies.

The largest facility of Soviet-Iranian cooperation is the Esfahan Iron and Steel Works; the first phase has a capacity of 550,000 tons of steel per year and was brought on-stream on 16 March 1973. This is the country's only iron and steel works with a complete manufacturing cycle and it is Iran's largest employer (over 10,000 people). In 1978, the works supplied almost 100 percent of the pig iron produced in the country, 73 percent of the steel and approximately 43 percent of the rolled products. Its output makes it possible for Iran to save about 200 million dollars of foreign currency annually due to reduced imports of rolled metal products. At present, work is being completed to expand the works to a capacity of 1.9 million tons of steel per year, including a corresponding expansion of the ore and coal base.

For many decades, Iran had tried to build its own iron and steel works with the help of western countries. But, in spite of the Shah of Iran's close relations with the governments of a number of capitalist countries, these nations companies were primarily guided by their own interests and tried everything in their power to maintain Iran's dependence upon imported metal. With all kinds of estimates and advice, they convinced Iran that it was better to purchase metal abroad than to produce it at home. And, this happened when the country had sufficient coal and iron ore deposits, which also were discovered with the assistance of Soviet geologists.

The Soviet Union's economic and technological assistance also plays an important role in the development of Iran's machine-building, power industry, industrial base for residential construction, geological exploration and others. For example, with the USSR's assistance, the largest machine building plant in Iran was built at Arak, with a projected capacity of 30,000 articles per year. The output of this plant satisfies the country's demand for the equipment required for developing industries and it facilitates a reduction in machine building imports. At present, Soviet organizations are building one of the largest thermal electric power plants in Iran with a capacity of 1,260 megawatts in Ahvas; the 315,000 kilowatt power unit went on-stream in September 1979. It was the first facility brought on-stream after Iran's revolution.

## FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

Work is proceeding on the design of the Khoda Aferin Hydro-power System with two hydro electric stations (on the Iranian and Soviet shores) with a total capacity of 200 megawatts and the Kyz-Galasa Hydro-power System on the Araks border river. In the beginning of 1980, work was renewed on the construction of the 800 megawatt thermal electric plant in Esfahan. The construction of these facilities will help to significantly increase the generation of electrical power which the country has an acute shortage of.

To pay for the services of Soviet organizations in building these facilities, Iran will supply the USSR with its traditional exports--cotton, raisins and items from indigenous industries (shoes, knitted goods, cloth, soap and laundry detergent). Previously, the services of Soviet organizations were also paid for with deliveries of casing-head gas. It should be pointed out that while the western monopolies were exploiting Iran's natural resources, they were not interested in using this gas.

If the gas were not delivered to the USSR, Iran would have to look for foreign currency to pay for construction of vitally important enterprises which would be onerous to the country. So, from 1970-1978, approximately 70 billion cubic meters of gas were delivered to the USSR to pay for Soviet services. In this respect, it should be pointed out that the Soviet Union participated in the construction of the northern section of the first Trans-Iranian Gas Line, which marked the beginning of the establishment of a modern natural gas industry in Iran, which supplies the country's major cities with gas--cities such as Teheran, Esfahan, Shiraz, Qazvin and others--and which promoted efficient utilization of this valuable raw material in the Iranian people's interest. Soviet-Iranian cooperation in the gas industry is a vivid example of how the country's national resources are used to strengthen its economic independence, which is in the fundamental interest of the broad masses of the people.

As is well known, the majority of the developing countries are trying to get economic and technological assistance both from countries in the socialist community and from industrially developed capitalist nations. However, there is a radical difference in the pattern and nature of technological assistance provided to them by the capitalist West and by socialist nations.

The facts show that imperialist nations were forced to recognize the irreversible nature of the previously oppressed nations' process of political liberation and the impossibility of restoring the old colonial order. The goal of keeping and retaining Asian, African and Latin American countries in the capitalist orbit is being advanced as a new strategic purpose.

FOR OFFICIAL USE ONLY

The political and economic aspects are fixed by the desire of ruling circles in the imperialist countries to keep the liberated nations from selecting socialism and to firmly incorporate them in the sphere of modern capitalist exploitation.

What is the economic nature of this strategy?

In the contemporary environment, the imperialist nations can no longer hinder the industrial progress of the liberated countries as before. Under these conditions, they are falling back on "assistance" more and more in order to give the developing countries' industrial development a direction that is as desirable as possible for the imperialists. Where the nationalists regimes that have come to power in the developing countries while they were gaining their political independence subsequently begin to evolve toward capitalist development, imperialism is more or less successfully achieving its goals.

At the same time, the example of these countries provides especially clear proof of the fundamental difference between our principles of economic cooperation and the West's "assistance."

Proof of this is the story of Soviet-Egyptian economic cooperation. After the July 1952 revolution when Egypt's revolutionary democratic leadership headed by President G. A. Nasser became convinced that its hopes for national and foreign capital to build and strengthen the nation's independent economy were not crowned with success, it took a number of decisive actions which marked the beginning of a period of withdrawal from traditional capitalist development. They adopted decrees on nationalization of Egypt's largest enterprises, banks, insurance companies, etc. They started to implement major, progressive socio-economic changes which were incorporated in the National Action Charter.

The new phase of Egypt's socio-economic development was characterized by a greater level of activity in developing economic and technological cooperation between the Soviet Union and Egypt. This cooperation continued until 1971 when the deviation from Charter principles began with a gradual repeal of agrarian reform and surrender of revolutionary positions in the face of pressure from imperialist forces.

The new Egyptian leadership announced a policy of "economic liberalization" and "open doors," which essentially consisted of increasing the activities of the nation's private sector and of sharply increasing steps to attract capital into the country from the western and oil-producing countries.

These measures were accompanied by increased attacks on the country's public sector and on Soviet-Egyptian cooperation.

FOR OFFICIAL USE ONLY

What does an analysis of some of the recent results of the "open door" policy show?

According to estimates by Egyptian economists, Egypt's foreign debt was approximately 17 billion dollars by 1979. It looks like the hopes for a significant inflow of capital from industrially developed capitalist nations and oil producing Arab countries have come true. However, it should immediately be mentioned that approximately 90 percent of these funds were not targeted into the industrial sphere but on consumption, payment of military outlays and to pay off the sharply increased financial indebtedness under short-term loans granted with extremely hard terms (in individual cases, from 18 to 19 percent annually). Within the country, the new so-called "democratic" measures opened up widespread opportunities for speculative elements and newly-made millionaires who were dubbed "fat-cats" by the Egyptian masses. In his 28 September 1976 speech, President Sadat himself was forced to state: "We placed great hopes on the private sector making its contribution to a solution to the problems facing the country. However, unfortunately, the impression is growing that private sector representatives are only striving for profits and exploitation."<sup>3</sup>

As far as the foreign business aspect is concerned, the proponents of the "open door" policy believed that they only had to invite foreign capital into the country and a line would immediately form of people desiring to invest funds in the economy. Naturally, this did not happen: demands were made on the Egyptian government to accept the imperialist nations terms--a guarantee to prohibit nationalization of foreign investments, to permit free withdrawal of profits, to reform the financial system and establish resources for foreign bank controls, to conduct a specific social policy with the goal of shifting the primary burden of the economic load onto workers' shoulders. The facts show that the "open door" policy did not slow down the rate of inflation but, to the contrary, whipped it up. In the long run, this is fraught with new shocks in the economy since the country's deep, fundamental economic problems are not being solved, while productive forces are growing very slowly. In the opinion of Egyptian economists, the country is "eating up" everything that it produces and receives and nothing is left for savings.

If we touch upon the so-called "economic development loans" received from the West, we get the impression that the "donors" are fully aware that the Egyptians cannot completely assimilate them. Moreover, the "donors" themselves are establishing the preconditions for this by setting terms for the beginning of these loans which the Egyptians are not able to meet for various

---

3. AL-AHRAM, 29 September 1976.

FOR OFFICIAL USE

reasons (deadlines for using the loans, mandatory provision of materials and skilled personnel within strictly established deadlines, etc.).

According to data from the Egyptian Administration for Foreign and Private Investment, as of 1978, a total of approximately 100 small facilities at a total cost of about 125 million Egyptian Pounds were built and brought on stream in the ARE within the framework of the "open door" policy. Moreover, the majority of the loans are being directed toward tourist facilities, banks and investment companies (approximately 50 percent), residential construction (12 percent) and the building materials industry (10 percent). The share of western and Arab credits and loans for development of such sectors as the metal industry, machine building and the mining industry is only 4 percent altogether (for comparison, it can be pointed out that the percentage of the Soviet Union's economic assistance for Egypt's power industry, metal industry and machine building was 75 percent of our total volume of assistance to this country).

By comparing the data cited above on the number of facilities and their costs, it is possible to easily satisfy ourselves that the facilities built and being built with loans from western countries cannot play a leading role in Egypt's economy.

In contrast to this, although the Soviet assistance to the ARE was monetarily less than the West's "donated assistance," it was due to this assistance from the USSR to the ARE that such world-reknown giants like the Aswan Hydro-electric Power System, the Kelohon Integrated Iron and Steel Works, the Alexandria Shipyard, the Nag-Khamadi Aluminum Plant and dozens of enterprises in other areas of the economy were built. With the USSR's economic and technological assistance, new sectors were developed in Egypt, sectors such as the machine tool manufacturing industry, electronics industry, chemical and pharmaceutical industries and the ferrous metal industry; and there was a significant expansion in the oil refining industry's capacity.

The Egyptian leadership's current "open door" policy is essentially drawing the country's economy into the closed orbit of the world capitalist economy and is laying the groundwork for the economy's dependence upon the most powerful western monopolies, which not only runs counter to the principles of international economic cooperation incorporated in the Final Act of the European Conference but also is directly detrimental to Egypt's national interest.

The process of independent, national development of the developing countries economic and social progress is difficult and contradictory. However, in all cases, the Soviet Union's position in solving these serious problems of modern times is principled and consistent.

FOR OFFICIAL USE ONLY



## FOR OFFICIAL USE ONLY

During the historical development of the liberated nations, there is, at times, an aggravation of the domestic political situation. New political parties and groups come to power and, in a number of cases, there is even a temporary reorientation of certain aspects of the country's strategy for political and economic development under the influence of external forces. True to the principles of non-interference in the domestic affairs of foreign nations, the Soviet Union has never unilaterally renounced agreements concluded with foreign countries on economic and technological cooperation. Soviet organizations continue to conscientiously carry out their commitments for assistance in building major national economic facilities, even with an aggravated political situation in the country or a temporary retreat from progressive positions by ruling political groups.

This attitude of the Soviet Union toward performance of its commitments corroborates its reliability as a partner for economic and technological cooperation.

In recent years, the USSR's economic and technological cooperation with industrially developed capitalist nations has evolved. It was pointed out at the 25th CPSU Congress that only by guaranteeing normal, equitable terms "would it be possible for truly widespread, sound economic relations which would be reflected in our national economic plans."<sup>4</sup>

The myth of a "technology gap" between the USSR and the most industrially developed capitalist countries has become a thing of the past. In the modern age, not a single country is able to lay claim to first place in technology at all. In a specific sector, a particular country may break out ahead for a certain period of time due to specific conditions, but without occupying leading positions in other sectors. A. P. Aleksandrov, president of the USSR Academy of Science, specifically noted that there are presently fewer nuclear power plants in the USSR than in the U.S. But, this is determined by the Soviet Union's greater resources of fuel and hydro-electric power; however, the U.S. and USSR state-of-the-art in nuclear power plants is equal and, furthermore, the USSR has more experience with fast fission nuclear power plants and will develop this area faster than the U.S. "The USSR's experience in this area," he noted, "is undoubtedly of benefit to the European countries and to the U.S., who initially selected an unsuccessful direction which has led to a delay in the development of this area."<sup>5</sup>

4. "Proceedings of the 25th CPSU Congress," p 136.

5. Aleksandrov, A. P. "Scientific Cooperation with the West" in "Ot Khel'sinki do Belgrada, Sovetskiy Soyuz i osushchestvleniye Zaklyuchitel'nogo akta obshcheyevropeyskogo soyeshaniya. Dokumenty i materialy" (From Helsinki to Belgrade: The Soviet Union and Implementation of the European Conference's Final Act--Documents and Materials), Moscow, 1977, p 235

## FOR OFFICIAL USE ONLY

The Soviet Union does not lay claim to absolute preeminence in all decisive areas and it is continually proposing cooperation with capitalist countries in mutually advantageous areas.

A good example of this kind of cooperation between countries with different political and economic systems is the story of Soviet-Finnish post-war relations. The foundation for these relations was laid by the 1948 Treaty on Friendship, Cooperation and Mutual Assistance. In the following period, the two countries signed a number of agreements and protocols which established a firm legal basis for continual, comprehensive development of economic cooperation between the USSR and Finland.

From the time that the treaty was signed, Soviet-Finnish relations--relations which are based on steadfast observance of the principles of equality, non-interference in each other's domestic affairs and mutual advantage--have continually improved by becoming more and more important every year for both the Finnish and Soviet economies. During the evolution of Soviet-Finnish economic cooperation, there has not only been a quantitative increase in cooperation but also qualitative improvement of it, improvement which makes it possible to make better use of the advantages of the international division of labor and specialization on behalf of both countries economic development.

A major area in Soviet-Finnish relations is cooperation in the Soviet-Union's construction of industrial and other national economic facilities in Finland and Finland's construction of such facilities in the Soviet Union. This type of cooperation makes it possible for both sides to make the most efficient use of both current technological experience and a rational distribution of productive forces.

An important step in this direction was the signing of the 1959 inter-governmental agreement, pursuant to which the USSR committed itself to supply Finland with a complete package of equipment for a number of industrial enterprises. Overall, in the post-war period, facilities which have played an important role in Finland's economic development have been built in Finland with the Soviet Union's economic and technological assistance, facilities such as the 1.7 million ton capacity iron and steel works at Raakhe, the 200 megawatt capacity Kristina and Takhkoluto thermal electric power plants, the 160 km natural gas-line calculated to transmit about 3 billion cubic meters of gas per year from the USSR to Finland, the Loviza-I and Loviza-II nuclear power plants, each with a capacity of 440 megawatts and others. During the same period, 4 hydro-electric power plants with a total capacity of over 300 megawatts, a hotel in Tallinn and the Karelian ASSR's Pyaozerskiy Logging Camp were built in the USSR in areas bordering Finland, with assistance from Finnish companies, and the first and second stages of the Svetogorskiy Integrated Pulp and Paper Works have been renovated. At present,

FOR OFFICIAL USE ONLY

## FOR OFFICIAL USE ONLY

Soviet and Finnish organizations have begun developing a joint project for the 1,000 megawatt nuclear power plant planned for construction in Finland. At the same time, Finnish companies are working on construction of the third stage of the Svetogorskiy Integrated Pulp and Paper Mill and the Kostomushskiy Integrated Mine and Iron Ore Enrichment Plant which is designed to produce 3 million tons of pellets per year.

We should especially dwell on the largest facilities built in Finland with the USSR's assistance, facilities such as the integrated iron and steel works and nuclear power plant. The integrated works contain a sintering plant with 4 sintering machines with a total capacity of 2,250,000 tons of cake per year, a blast-furnace plant with two 1,033 cubic meter blast furnaces, each with a total capacity of approximately 1.6 million tons of pig iron per year, a steel-making plant with two 1,300 ton holding furnaces, basic oxygen furnaces, 3 vertical continuous steel pouring units and 2 curved continuous steel pouring units, with a total capacity of 1.7 million tons of steel per year; a rolling mill shop, a 55 VMt [expansion unknown] capacity electric power plant and auxiliary departments. The works incorporate the modern achievements of the Soviet ferrous metal industry and are a state-of-the-art enterprise with superior technical and economic indicators. As Akhti Kar'yalaynen, deputy prime minister and Finland's minister of the economy, stated in March 1977, "For a 16-year period now, cooperation in the ferrous metal industry has played a central role in the development of economic cooperation between Finland and the Soviet Union. Through this assistance, this modern and competitive industrial enterprise was built in Rautaruukki. It is extremely important for the entire national economy of Finland, and especially for Northern Finland." Earlier, in an interview for SUOMENMAA newspaper, he gave the following evaluation of the quality of Soviet equipment delivered for this integrated works: "Due to its technological value and efficiency, the machinery imported for Rautaruukki from the USSR has achieved such high indicators that it is presently evoking surprise throughout the world."<sup>6</sup>

Another vivid example of successful cooperation and efficient utilization of joint experience is the Loviza-I nuclear power plant, which was brought on-stream in 1977. The signing of the 1969 agreement on cooperation to use nuclear power for peaceful purposes and the protocol on cooperation to build the nuclear power plant was preceded by an energetic propaganda campaign conducted by certain western circles who were interested in having this order passed to western companies; during the campaign, they launched

---

6. SUOMENMAA, 27 February 1970.

## FOR OFFICIAL USE ONLY

widespread means of pressure, such as, statements to the press by various "experts" who talked about the outdated Soviet nuclear technology and who predicted failure for the project if it was carried out with the USSR's assistance.

Reality has not only repudiated these conjectures but has also exceeded the expectations of many true supporters of Soviet-Finnish cooperation in building the nuclear power plant. As a result of the mutually supplementary work, they built the most up-to-date plant which meets the most advanced achievements of world nuclear power plant construction. In efficiency of installed capacity, the Loviza-I nuclear power plant occupies one of the world's leading positions. As attested to by the American magazine NUCLEAR NEWS (October 1977), "An international group of nuclear experts visiting Loviza nuclear plant was staggered by the high quality of the job." The 2 October 1978 WASHINGTON POST newspaper wrote: "The Loviza plant could be awarded a prize for cleanliness" and it cited the words of plant Director Palmgren: "The plant built here for us is one of the best in the world...; in over 10,000 hours of operation, we have not had a single fuel leak. We are delighted with this plant."

Just as high an evaluation was also received by another joint project which plays an important role in supplying Finland with energy carriers and raw materials for the chemical industry--the natural gas pipeline.

Economic cooperation between the USSR and Finland accomplishes goals which go beyond simply constructing specific facilities. The evolution of Soviet-Finnish relations is dictated by the parties' mutual interests. As Finland's largest trading partner, with approximately 20 percent of its trade turnover shared with Finland, the Soviet Union no longer occupies the position of "senior partner" toward this country.

It was the close economic ties with the USSR that made it possible for Finland to significantly reduce the effect on its economic development of the energy and subsequent financial crisis which gripped the economies of the majority of the capitalist countries in the 70's. The 30 November 1977 issue of the Finnish newspaper, SUOMENMAA wrote: "When the depression fell upon our country and our opportunity for exports to Western Europe declined abruptly, the positive aspects of Finland's trade with the Soviet Union became more and more significant."

The positive role of economic relations between the USSR and Finland has received a forced recognition even from representatives of bourgeois business circles and publications which would not be

FOR OFFICIAL USE ONLY

## FOR OFFICIAL USE ONLY

suspected of sympathizing with the Soviet Union or of being adherents of developing more widespread economic cooperation with the USSR. For example, the 23 June 1977 English FINANCIAL TIMES wrote that the "Soviet Union occupies a special place in Finland's foreign trade. Because trade between the countries is balanced, the USSR has become the number one trading partner. When the cost of Soviet exports to Finland increased in 1974 due to the sharp increase in petroleum prices, there was a corresponding increase in imports from Finland which maintained the balance of trade."

Positive, cooperative experience in various economic areas has established the prerequisites for future development of comprehensive economic relations. A desire for such relations was reflected in the Long-term Program for Developing and Intensifying Commercial, Economic, Industrial, Scientific and Technological Cooperation between the USSR and Finland until 1990. Among this program's dozens of sections, a significant position is occupied by construction of industrial and other national economic facilities.

In assessing the importance of the long-term program for cooperation, L. I. Brezhnev emphasized that this document can justifiably be credited to grand European politics and can be included among the steps to implement the Final Act of the Conference on European Security and Cooperation.<sup>7</sup>

Under the influence of political detente in the period following the signing of the European Conference's Final Act, new elements have appeared more and more distinctly in the development of the Soviet Union's economic relations with a number of other West European nations. Business circles of these countries are beginning to realize more and more that the establishment of equitable and mutually advantageous cooperation with the USSR is able to create an environment supporting their own economic stability.

A typical example of the increased mutual confidence between nations with different social systems is the November 1975 multi-lateral agreement between Soviet, Iranian, FRG, French, Austrian and Czechoslovak organizations to buy and sell Iranian gas and deliver it to West European countries through the Soviet Union and CSSR. A plan for supplying Iranian gas to Europe was examined for a long time; various alternatives for a gas line route were suggested. As a result, the best option was recognized as the one which provided for deliveries of gas to Europe through

---

7. PRAVDA, 18 May 1977.

## FOR OFFICIAL USE ONLY

the Soviet Union and the CSSR. An important factor in favor of this selection was the positive experience gained from the trans-Iranian gas main.

Negotiations on supplying Iranian gas to West Europe got underway in Teheran in May 1974. At first, three parties took part in these negotiations: Soviet organizations, the Iranian National Gas Company (INGC) and the West German Ruhrgas company. Later, the Austrian company OMF and the French company Gas de France also joined the negotiations. During the final talks on 30 November 1975, a contract was signed in Teheran on the purchase-sale of natural gas between INGC, on the one hand, and the West European companies (Ruhrgas, Gas de France and OMF) on the other hand and an agreement was also signed between INGC and the National Gas Export Association on the movement of gas through the USSR and CSSR.<sup>8</sup>

The contract stipulated that the Iranian party shall transfer 13.7 billion cubic meters of gas from the Kangan gas field in southern Iran to the purchasers--the specified West European companies--at the Soviet-Iranian border. This gas shall be transferred by the companies to the National Gas Export Association and shall be used in the southern areas of the Soviet Union. The National Gas Export Association shall transfer to the purchasers at Waidhaus (on the CSSR-FRG border) and Baumgarten (on the CSSR-Austrian border) a caloric equivalent of gas from Soviet fields. The Soviet and Czechoslovak organizations' services related to the movement of the Iranian gas through the USSR and CSSR shall be paid for by the West European purchasers in freely convertible currency and a specified amount of gas for industrial purposes shall also be given to them free of charge.

To transport the gas from the Kangan Field to the Soviet-Iranian border, an approximately 1,400 km pipeline will have to be built: the southern section will be built by French and Italian companies while the northern stretch of 487 km will be built by Soviet organizations.

This deal is advantageous for all participants. It is a vivid example of how the countries of Europe and Asia, West and East and North and South can successfully develop long-term economic cooperation based on confidence, equal rights for the parties and mutual advantage in spite of differences in socio-political systems. The implementation of the world's largest trans-regional project for supplying gas from Iran to Western Europe through the USSR and CSSR will undoubtedly promote further development of economic

---

8. In November, 1976, CSSR organizations also signed a contract on similar terms to purchase 3.6 billion cubic meters of gas from Iran on an annual basis.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

relations among project participants and will also undoubtedly strengthen long-term economic cooperation on an international scale. This is the primary importance of this agreement which greatly exceeds the conventional buy-sell deal in its scope and nature.

Although work on this project has stopped due to the well-known internal political events in Iran in 1979, the mutually advantageous nature of this deal and its economic and political value for the participating countries reinforce our confidence that work will begin again.

In recent years, a definite impetus has been given to economic and technological cooperation with such European countries as Greece, Portugal and others.

Pursuant to a 1966 National Technological and Industrial Export Association agreement, technological assistance was provided to Greek organizations in the construction of the 200,000 kilowatt Keratsini thermal electric power plant (near Pirey). The power plant was brought on-stream in 1971 and continues to be successfully operated.

Unfortunately, at that time, Soviet-Greek cooperation did not develop further due to the establishment of the "black colonels" military dictatorship in Greece. After its downfall in 1974, business contacts were renewed between Soviet and Greek organizations and companies. The parties' mutual interests in developing economic cooperation brought about a need for giving it an interstate nature. This was specifically reflected in the signing of the first document in the history of the two country's relations in Moscow in October 1979 during the Greek prime minister's visit to the Soviet Union: The Agreement on Economic and Technological Cooperation between the USSR and Greece. The agreement provides for the establishment of a Joint Soviet-Greek Committee on Economic and Technological Cooperation.

The joint Soviet-Greek communique pointed out both parties interest in cooperating to build an aluminum oxide plant in Greece. An agreement was also reached on the joint development of a feasibility study for construction of this plant.

In the Soviet-Greek Declaration, the parties stated that they would make every effort to develop diverse forms of economic, industrial and technological cooperation on a mutually advantageous and long-term basis.

After the downfall of the fascist dictatorship in Portugal, contacts between that country's business circles and Soviet trade organizations began to be established. In recent years, a number of representatives of Portuguese companies have visited the USSR. For example, in April 1977, a delegation of Portuguese energy

## FOR OFFICIAL USE ONLY

machine-building companies was in the Soviet Union. In November 1978, the National Ferrous Metals Industry Export Association concluded a contract with the UN Industrial Development Organization (UNIDO) to conduct laboratory tests of Portuguese pyrite ore. An important tool for developing cooperation between the two countries is the Joint Committee on Long-Term Economic, Scientific and Technological Cooperation between the USSR and Portugal, whose third meeting was held in Moscow in December 1979.

There is a favorable environment for developing economic relations between the USSR and Cyprus. The 1 October 1975 Agreement on Economic and Technological Cooperation can serve as a good foundation for this purpose.

In recent years, a relatively new type of cooperation--joint participation to build industrial and other facilities in third countries--has been developed more and more. In this area, the first steps were made in contacting companies in the FRG, Finland, Japan, Sweden and a number of other industrially developed capitalist countries. Soviet organizations and companies in these countries signed contracts with provisions for equipment and services for energy, industrial, transportation and other facilities in Iran, Iraq, Nigeria, Libya and other countries. Improving upon this type of cooperation, a number of West European countries, primarily West German and Finnish are already working on preparations for proposals and joint participation with Soviet organizations in trading organizations to build certain national economic facilities both in developing countries (Venezuela) and in such countries as Greece, Iceland and Sweden. Specifically, an interest in developing cooperation between Soviet organizations and Austrian companies to build industrial and other facilities in third countries was expressed by W. Pahr, the Austrian foreign minister, during his visit to Moscow in December 1978. These same questions were discussed at the July 1979 11th meeting of the Joint Soviet-Austrian Committee on Economic, Scientific and Technological Cooperation in Vienna.

The Soviet Union has never and is not taking part in the export of capital, obtaining profits or exploiting partner countries. In supporting the idea of multi-lateral cooperation in third countries, the USSR is only pursuing the goal of maximum utilization of the advantages of the international division of labor, which is advantageous for all participants in a particular project. Concrete examples of this cooperation have already been cited above. An increasingly large number of companies in industrially developed capitalist countries are beginning to recognize the importance of cooperation and its positive effect in improving the international environment. During 1976-1978 alone, over 60 companies from 15 industrially developed capitalist countries established and are maintaining business contacts with associations of the State Committee on Foreign Economic Relations. Contracts have already

FOR OFFICIAL USE ONLY



FOR OFFICIAL USE ONLY

been signed. By the end of 1978, over 40 orders were received from companies and organizations in industrially developed capitalist countries to build various national economic facilities, including facilities in the ferrous and non-ferrous metal industries, the chemical and petro-chemical industries and the power industry.

Of course, far from all the available opportunities are being used to expand both the Soviet Union's bilateral and multi-lateral economic and technological cooperation with industrially developed capitalist countries. It should be pointed out that the development of cooperation in the area of joint construction of facilities in third countries is being held up by the desire of some firms to unwarrantedly insist on financial terms for their equipment which do not support mutually advantageous cooperation for Soviet organizations.

In evaluating the status of and prospects for the USSR's economic and technological cooperation with industrially developed capitalist countries, it is possible to establish that the objective prerequisites for developing this type of economic relations between the Soviet Union and the Western countries do exist in spite of the remaining traces of the "cold war" and continued discriminatory measures toward the USSR and other socialist countries. It is important to emphasize that these prerequisites can only be implemented on a basis of strict compliance with the principles of total equality and mutual advantage.

The ideas of certain western specialists on the supposedly low level of effectiveness in cooperation with the Soviet Union to build facilities of national economic importance abroad are false and pursue the goal of hindering such cooperation. The high ultimate results from the Soviet Union's economic and technological cooperation with foreign countries have been tested by many years of practice and its true value is appreciated by statesmen and economists in those countries that the Soviet Union cooperates with. The fact that the Soviet Union strictly observes the sovereign rights of other nations when executing economic and technological cooperation should also be considered. This feature is becoming especially important at present with the reorganization of international economic relations on a just, equitable basis and with the search for a solution to a number of world-wide economic problems. In this environment, other countries' interests, including industrially developed countries, in expanding economic and technological cooperation with the USSR is objectively on the rise.

In the case of economic and technological cooperation, the problem is one of projects whose implementation requires the joint efforts of the collaborating parties over a long period of time. This is why the partners' "reliability factor" is especially important in this area of foreign economic relations.

FOR OFFICIAL USE ONLY

The Soviet Union has a serious and responsible attitude toward the performance of its commitments in cooperation. This practice of Soviet organizations has been confirmed in legislation. In the new USSR Constitution, cooperation with other nations and conscientious performance of commitments stemming from the USSR's international treaties have been raised to the level of constitutional obligations of the Soviet state.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

CONCLUSION

The Soviet Union has widespread, stable economic relations with the majority of the capitalist countries and is strengthening mutual confidence with them as business partners in commercial, economic, scientific and technological cooperation. This confidence, which has run the test of time and practice, is founded on an acceptable basis for all the countries--on equal rights and mutual advantage and on observance of all commitments made. The long-term, 10-15-20-year agreements on trade, economic, scientific and technological cooperation which the Soviet Union has signed with many western countries and the performance of its commitments under these agreements are convincing proof of the USSR's serious, thoughtful approach toward contacts with the West.

It is axiomatic for all patriotic politicians, businessmen and scientists that there cannot be a protracted continuation of the situation where reactionary forces and certain influential Western figures, who are following behind them, are drawing us toward the "Cold War" at a time when the interests of peace, international security and the economic interests of their own countries demand the exact opposite.

As far as the Soviet Union is concerned, its international policy goals completely coincide with the interests of all nations in the area of economic cooperation, including those of the industrially developed capitalist countries. These goals and interests are based on the policy of relaxing international tension, the only reasonable policy for peace in the contemporary environment. The force and significance of this policy is that it is only this kind of policy that can guarantee the peace and security of nations and, at the same time, develop the best opportunities for the most widespread, equitable, mutually advantageous cooperation among all nations.

At the modern stage of economic development, and industrial specialization, a further expansion of specialization simply on an economic basis is inefficient in many cases. To maintain national production at a normal level and to continually restore it requires cooperation with other countries and an evolution of the international division of

FOR OFFICIAL USE ONLY

labor and trade. Economic affairs are becoming international in nature and permanent interrelationships among countries are unavoidably emerging.

The Soviet Union is in favor of expanding these interrelationships with all countries, including countries with different social systems.

Our country is a major commercial power and Moscow is among the most important world trade centers. Recent proof of this was the 1980 opening of the International Trade Center in Moscow and the USSR's expanded participation in the World Association of International Trade Centers whose motto is: "Peace, Trade and Mutual Understanding."

The Soviet Union's commercial, economic, scientific and technological cooperation with industrially developed capitalist countries is advantageous to both parties. This does not require any special proof since no country, especially a country with capitalist means of production where the law of profit rules, will trade or cooperate with another country if it is not sufficiently advantageous to it. At the same time, the development of the Soviet Union's economic cooperation with industrially developed capitalist countries is a complex process proceeding under the influence of numerous factors, both favorable and unfavorable. The primary favorable factor has to include the principles of the international division of labor, while the unfavorable factors have to include attempts to renew "Cold War" policies.

Because of this, the appearance of the basic patterns of economic cooperation may vary with the specific conditions or situation in relations between nations belonging to different socio-economic systems; they may speed up or slow down.

A complex pattern can now be observed in the Soviet Union's economic cooperation with industrially developed capitalist countries. The barriers, which are frequently artificially created, have not been removed from the path of the USSR's equitable, mutually advantageous economic cooperation with Western countries. A lot depends upon the desire and will of appropriate circles in Western countries. The objective prerequisites currently exist for further development of the phase of economic cooperation which got underway during the period of detente, a phase which was new to the Soviet Union and to our partners from the industrially developed capitalist countries. The 70's saw a noticeable increase in the foundation for the significant scope and diversity of the USSR's economic cooperation with industrially developed capitalist countries. Without downplaying the importance of a healthy, realistic approach toward the problems of economic cooperation on the part of our western partners and without downplaying their desire to use the advantages of the international division of labor as much as possible--

## FOR OFFICIAL USE ONLY

which cannot be done without relations with the Soviet Union--it should be established that the Soviet side is the initiator of goal-directed, well-founded proposals to expand economic cooperation and to search for new, mutually acceptable types of cooperation. The Soviet Union has not been prompted to display these initiatives by a special interest in expanding economic relations compared to the industrially developed capitalist countries--as some circles in the West try to suggest--but by a well-recognized need to use the advantages of the international division of labor, advantages which are increasing with the scientific and technological revolution, and by a clear-cut understanding of the fact that all countries interests in economic cooperation and in an expansion of it strengthens the cause of peace and international security.

The Soviet side is doing everything necessary to develop economic cooperation with industrially developed capitalist countries. At the same time, it should be borne in mind that foreign trade and other types of foreign economic relations require continual improvements in the pattern of exports and imports, an ability to stimulate our partner's interests and correctly prepare, conclude and execute commercial deals, especially considering the fact that business is being conducted with experienced, demanding partners like the Western companies.

The practical job of putting foreign economic relations with industrially developed capitalist countries into effect is a difficult and multi-faceted one; it includes a continual search for new types and new solutions. It also requires a streamlined organization mechanism to carry out foreign economic relations with capitalist countries.

Just as important are the political aspects of the job of developing the Soviet Union's economic, scientific and technological cooperation with industrially developed capitalist countries. As a major element of political detente, the policy of detente includes military detente and cooperation between nations in economic and other fields, cooperation based on the principles incorporated in the Final Act of the European Conference. It is well known that a certain amount of success has been achieved in the area of political detente; agreements have been reached on several arms limitations problems and there has been significant progress in economic cooperation. However, on the threshold of the 80's, the international environment has deteriorated due to the actions of imperialist circles and a serious threat to the detente process has appeared. This is caused by the U.S. desire to disturb the current strategic military balance and gain military superiority over the Soviet Union and its allies. A flagrant violation of current agreements, whipping up the arms race instead of military detente and a propaganda campaign designed to justify this are

## FOR OFFICIAL USE ONLY

making the international atmosphere worse and are destroying the confidence required to make progress. But, the objective and subjective bases for detente have not disappeared and the conditions which determine the basic directions of this historical process have not changed. These conditions include the current economic cooperation between nations belonging to different socio-economic systems.

The U.S. administration's actions to disrupt international relations have been offset by the Soviet Union's peaceful, constructive policy. "We are offsetting the 'doctrine' of war hysteria and the feverish arms race with the doctrine of a persistent campaign for peace and security on earth," stated L. I. Brezhnev in his 22 February 1980 meeting with the voters of Moscow's Bauman District. "We are faithful to the Peace Program advanced by the 24th and 25th party congresses. This is why we are now, in the 80's as previously in the 70's, in favor of strengthening detente and not of disrupting it. We are in favor of reducing arms and not of increasing them. We are in favor of rapprochement and mutual understanding among nations and not of artificial alienation and enmity between them."<sup>1</sup>

The economic relations which have developed between the countries with different socio-economic systems who have signed the Final Act of the European Conference have an important role. Economic cooperation was a stable element of the policy of detente which has been subjected to a serious test of its endurance. Maintaining and expanding these relations to the mutual advantage of all countries promotes confidence and mutual understanding between nations, promotes a further strengthening of this confidence and mutual understanding and promotes a strengthening of peace on earth.

As pointed out in the June 1980 CPSU Central Committee Plenum decree: "On the Soviet Union's International Position and Foreign Policy," our party will steadfastly continue the policy of the 24th and 25th CPSU congresses to strengthen the fraternal alliance of the socialist nations in every way possible, to support the people's just struggle for freedom and independence and for peaceful coexistence, to curb the arms race and to maintain and develop international detente and mutually advantageous economic, scientific and cultural cooperation.

It is extremely difficult to conduct such a policy in the contemporary environment; aggressive and imperialist circles are making one attempt after the other to put pressure on the Soviet Union and on socialist positions as a whole. But, their efforts cannot turn back the forward development of history.

---

1. PRAVDA, 23 February 1980

FOR OFFICIAL USE ONLY

In following a Leninist course in foreign policy, the CPSU and the Soviet nation are relying on the increased economic and military strength of the socialist countries and are demonstrating truly Leninist restraint, firmness and high principles by not giving in to provocations and, at the same time, by repelling imperialist claims. Based on an analysis of the international environment, the CPSU Central Committee Plenum concluded that there are objective means and socio-political forces which are able to preclude slipping into a new "Cold War," which are able to promote normal, peaceful coexistence between nations with different social systems and which are able to avert the danger of world-wide thermonuclear conflict.

The path toward accomplishment of this goal is the path of negotiations based on strict observance of the principle of equality and equal security. As pointed out in the Plenum Decree, this also applies totally to Soviet-American relations.

In the past decade, the relations between nations with different social systems have seen an accumulation of valuable experience in conflict regulation, dispute resolution, resolution of differences, concluding mutually advantageous agreements and successfully executing them in the most diverse areas of cooperation.

This experience confirms the permanent significance of the Helsinki Conference. L. I. Brezhnev's answers to questions from the editors of PRAVDA on the 5th anniversary of the Conference on European Security and Cooperation note that "the Final Act, like the UN Charter, facilitates a transition of human civilization to new, higher levels in international relations."<sup>2</sup> As shown by the Soviet Union's cooperation with industrially developed capitalist countries in trade, industry, science and technology, this transition to new, higher levels in international relations is realistic and attainable given a mutual desire to strengthen peace and develop relations on an equitable, mutually advantageous basis.

As far as the Soviet Union is concerned its general policy in European affairs, as in its world policy as a whole, is detente, cooperation, security.

COPYRIGHT: "Mezhdunarodnyye otnosheniya", 1980

9001  
1825/28

END

---

2. PRAVDA, 30 July 1980.